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NEWS SUMMARY

GENERAL

Four die as lorry crashes into shops

At least four people were killed when a lorry ran out of control along the main street of Ironbridge, Shropshire and crashed into three shops.

Eight others, including two children, were injured as the lorry careered down a steep hill on the road linking Ironbridge with Telford.

The lorry knocked down several pedestrians and collided with vehicles.

Teacher threat

Ministers and local authority leaders will meet on July 19 to discuss forecasts that more than 16,000 teachers will need to be dismissed if planned education spending cuts are to be achieved. Page 9

Naval 'attack'

Cuts in Britain's naval strength introduced over the last year carry "serious national risks" and are "unacceptable in military terms," said former chief of defence staff Admiral Lord Hill Norton. Page 10

Death sentences

Four mercenaries, including one Briton, Bernard Carey, were sentenced to death for trying to overthrow the Seychelles Government. A fifth man South African intelligence agent Martin Dolinchek, was jailed for 20 years.

Airliner crashes

A Soviet Aeroflot jet with about 90 passengers on board crashed soon after take-off from Moscow. All were thought to be killed.

Clashes probe

The British Embassy in Madrid asked Spanish authorities to probe clashes between English soccer fans and police before the England-Spain World Cup match on Monday.

Protesters held

Nine anti-nuclear protesters who painted "USS Auschwitz" on the hull of a Trident submarine and splashed it with their own blood were arrested in Groton, Connecticut.

Premier jailed

Former Turkish premier Bulent Ecevit was jailed for two months 27 days for defying a military decree banning former politicians from making public statements.

Pit claim

Britain's miners are committed to fight for a wages and conditions package which includes a pay demand of more than 30 per cent. Back Page

Curtain may fall

High fees wanted by performers could mean the end of seaside shows, said the chairman of the English Tourist Board, Michael Montague. Page 9. Blackpool's illuminations this year will use laser beams.

Pub crawl offer

Government ministers were invited on a pub crawl by Lord Chelwood who wanted them to see the varying measures offered when wine is sold by the glass. Parliament, Page 12

Briefly . . .

A FFr 200 note (£16.83) goes into circulation in France today.

Two died and 40 were injured when a train travelling to Lisbon derailed and plunged from a bridge.

Police detained three men in Southampton under the Prevention of Terrorism Act.

Seven people drowned in Turkey as they took to the water to escape a heat wave.

BUSINESS

Dollar firmer; Equities add 5.6

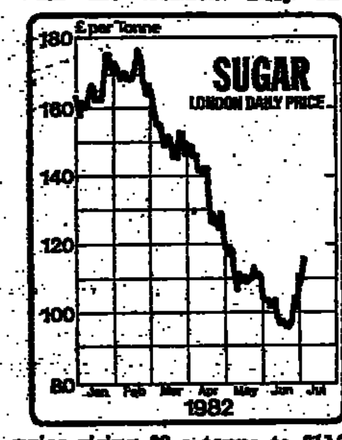
● DOLLAR was slightly firmer in thin and erratic trading. It improved to DM 2.49 (DM 2.4775), FFr 6.9055 (FFr 6.8675), SwFr 2.121 (SwFr 2.1065) and Y257.7 (Y257.2). Its trade weighting rose from 121.3 to 121.6. Page 34

● STERLING shed 75 points at \$1.7225 but was up at DM 4.29 (DM 4.285), FFr 11.89 (FFr 11.88) and SwFr 3.655 (SwFr 3.645). Its Bank of England index was down at 91.2 (91.4). Page 34

● EQUITIES were also higher. The FT 30-Share index added 5.6 to 554.0. Page 33

● GILTS improved on interest rate hopes. The Government Securities index rose 0.1 to 69.95. Page 33

● SUGAR price rally continued, with the London daily raw



price rising £3 a tonne to £116, £21 above last month's three-year low. Page 28

● GOLD fell \$4.75 to \$310.5 in London. In New York the Comex July close was \$309.1 (\$312.5). Page 28

● WALL STREET was off 2.85 at 794.14 before the close. Page 32

● UNEMPLOYMENT will be higher, and wages rise more slowly, in Britain than the average for industrialised countries, an OECD report said. Back Page; Details, Page 3

● MONEY SUPPLY growth is on target, prompting hopes in money markets of lower interest rates. Back Page

● ARGENTINA devalued the peso by 21 per cent to a rate of 20,000 to the dollar (34,450 to the pound) as part of a package of economic measures. Page 6

● PENN SQUARE Bank of Oklahoma City went into receivership. Continental Illinois, the sixth largest U.S. bank, may as a result report a second-quarter loss. Page 29

● MR GERALD RONSON, chairman of Heron Corporation, property and service station group, was given an £81,000 pay rise, taking his earnings to £288,000. Page 8

● FUJITSU of Japan introduced what it says is the world's fastest computers, able to handle 500m instructions a second and costing \$11.7m (£6.8m) each.

COMPANIES

● INTASUN Leisure Group, tour operator and charter airline, lifted profit for the year to March 31 from £10.26m to £14.08m before tax. It is quoted on the USM but has sought a full quote. Page 24

● FIAT, Italy's biggest motor company, expects a "modest" profit this year of perhaps L60bn (£25m), confirming its recovery from 1980's L240bn losses. Page 30

● GRANADA GROUP, television and video equipment renter, saw pre-tax profit slip from £24.44m to £23.88m for the 28 weeks to April 10. Page 24; Lex, Back Page

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES:					
Amersham	226	+ 6	Ruberoid	161	+ 8
Avana	308	+ 10	Rugby Port. Cement	98	+ 5
BAT Inds.	432	+ 9	Toothill (R. W.)	83	+ 11
BPB	410	+ 8	U. U. Textiles	30	+ 4
Barratt Devs.	276	+ 8	UDS	65	+ 4
Beecham	266	+ 7	United Scientific	380	+ 15
Booker McConnell	67	+ 5	Watson (R. K.)	72	+ 5
De La Rue	485	+ 30	Carless Capel	160	+ 4
Ferranti	770	+ 17	Imp. Cont. Gas	183	+ 7
GEC	£10½	+ ½	Shell Transport	386	+ 4
Glaxo	724	+ 13	Charter Cons.	198	+ 10
Guinness Peat	47	+ 4	Cons. Gold Fields	357	+ 13
Imm. Bus. Systems	135	+ 10	FALLS:		
Kenning Motor	61	+ 3	BICC	293	− 12
P & O Defd.	146	+ 5	Land Securities	266	− 4
Plessey	477	+ 7	Parker-Knoll "A"	130	− 4
Polly Peck	343	+ 13	Quest Automation	40	− 10
Reed Int'l.	297	+ 9	Reardson Smith "A"	53	− 5

More trains run as number of Aslef rebels increases

BY PHILIP BASSETT, LABOUR CORRESPONDENT

BRITISH RAIL ran a substantially greater number of train services yesterday as more train-drivers defied their union's call for an all-out strike over flexible rostering and the pressure increased from drivers for a re-examination of union opposition to the issue.

BR estimated last night that, after taking account of the night-shift, it had been able to run about 1,400 trains. This was nearly half as many again as the final total of just more than 1,000 trains on Monday, the second full day of the strike.

Based on a later-afternoon count, 344 passenger-services and 68 freight trains had run.

The spread of services varied from one BR region to another. Western region continued the worst hit, only four passenger-trains and one freight-train running in it by the time of the last available detailed count.

By contrast, Southern region, traditionally regarded as a militant stronghold, ran a much greater proportion of services.

In spite of BR's achievement in increasing its number of services, the Government's decision not to pay to BR the Public Service Obligation (PSO) grant for this week may force BR's hand in pushing it to a complete closure of the network.

However, the number of trains BR is managing to run is still significant as a gauge of the readiness of ordinary members of the Associated Society of Locomotive Engineers and Firemen to resist the strike-call over BR's imposition at 31 drivers' depots of the flexible work-rosters.

Senior BR officials reported an increase of about 30 per cent on the 601 drivers who turned up for work on Monday. Final figures for yesterday will not be available until today but BR officials thought the number of Aslef drivers had risen by about 65 per cent from the final Monday figure of 272 Aslef drivers.

Meanwhile, 329 drivers from the rival National Union of Railwaymen, which has not called its members out on strike, turned up for work.

More significant than these figures for individual drivers, a small number of Aslef branches, Bury, Bolton and Harrogate, voted to return to normal working.

BR is placing great hope on other branches, as well as individuals, following suit. A branch revolt would be an even more serious problem for the Aslef executive than an individual membership revolt, because the scope for disciplining groups of branches is limited.

These three branches, together with those at Hull and Southend, and reportedly many others, are contacting Aslef's London headquarters and seeking a swift recall of the union's policy-making annual assembly of delegates to re-examine the union's policy on flexible rostering.

Aslef leaders are considering this. If it reaffirmed the union's policy of opposition it might help to halt any further crumbling of the strike. If it reversed the policy it would at least provide the union with an honourable way out. In any case, a recalled assembly seems certain to be more divided than the last 47-0 vote against the new rostering system.

In spite of the continuing drift back to work, Sir Peter Parker, BR chairman, said last night: "We are expecting a long strike."

Proclaiming himself only mildly encouraged by the turn-out he said: "There is no way that the BR board, the management or the country should expect any less from us than seeing this matter settled. And so I am not expecting a short strike at all. However long it is necessary—we must take that."

The Prime Minister praised the Aslef drivers who defied the strike-call.

Intervention ruled out, Page 10
Job fears boost Aslef militancy, Page 10

Railways weekly grant withheld

By Hazel Duffy, Transport Correspondent

The Government has decided to withhold the £15.5m grant paid each Friday to British Rail.

The move could force the British Railways Board to meet this week to decide whether to close the entire network in the absence of a settlement of the Aslef strike.

The suspension of the grant, the Public Service Obligation (PSO), emphasises the Government's support for the board in its determination to get agreement on flexible rostering and other productivity issues with the unions.

The PSO was paid last Friday for the whole of last week, in spite of the two-day shutdown caused by the National Union of Railwaymen's strike. Now, however, the Government has decided that since British Rail is not running a service as specified in its contract with the Government, it is not obliged to make the payment.

The Government and the board discussed the possibility that BR might be forced into total shutdown by the NUR and Aslef strikes.

The outcome was a memorandum of understanding on BR's finances in the event of a shutdown under which BR would be able to borrow against its £150m temporary borrowing limit. In addition, this figure might be regarded as flexible.

In return, BR would be expected to show it was being as prudent as possible in the management of its finances, and would probably be expected to hasten the sale of assets. This would include the sale of Sealink UK, the British end of the cross-Channel and North Sea ferry services, on which the Government regards BR to have been dragging its feet.

BR went into the strike with fairly good cash flow, thanks to the increase in passenger traffic at the start of the holiday season, but its financial situation is deteriorating daily. The cost of operating even a very limited service is substantial when passenger revenues are virtually nil and payments under most freight carrying

Continued on Back Page

£ in New York

—	July 2	Previous
Spot	\$1.7325-7350	\$1.7405-7420
1 month	0.41-0.44 pm	0.39-0.42 pm
3 months	1.35-1.40 pm	1.33-1.3 pm
12 months	4.80-4.90 pm	4.72-4.85 pm

Reagan offers troops to help evacuate PLO

BY ANATOLE KALETSKY IN WASHINGTON AND DAVID LENNON IN TEL AVIV

PRESIDENT REAGAN offered yesterday to send U.S. troops into Lebanon to assist in the evacuation of 6,000 guerrillas of the Palestine Liberation Organisation encircled in Beirut by Israeli forces.

The White House said that the deployment of up to 1,000 U.S. troops and the services of the Sixth Fleet in assisting the evacuation would depend on all parties to the Lebanese conflict agreeing on a peace formula.

Shortly after the U.S. statement, heavy fighting broke out again around Beirut. The latest ceasefire, in operation for barely 24 hours, collapsed with heavy Israeli shelling of Palestinian positions on the southern outskirts of the capital.

Mr Reagan's decision came after a proposal from the Lebanese Government for an international peacekeeping force to assist in "the orderly and safe evacuation of armed personnel from Beirut."

The U.S. decision was taken on Friday night after Mr Philip Habib, the U.S. negotiator in Lebanon, told the President that such an international force could be essential to reach an agreement on the cessation of hostilities in Lebanon, Mr Larry Speakes, the White House Deputy Press Secretary said.

Mr Speakes said troops would only be sent in the event of a formal request from the government of Lebanon to assist the Lebanese armed forces in evacuating PLO guerrillas.

The U.S. would require assurances about the safety of its forces and there would be no question of deploying such a force in the southern part of Lebanon to patrol Israel's northern border.

Israel has suggested that an international peacekeeping force would be required in southern Lebanon as part of a final peace agreement to guarantee Israel against any further attacks from the north.

The U.S. has consistently refused to contemplate sending troops for this purpose. The President's agreement to help with the evacuation of PLO fighters from Lebanon is strictly limited to providing a temporary force of no more than 1,000 men for a period of less than 30 days, White House officials said yesterday.

According to Israel Radio—which leaked news of the U.S. offer—the U.S. forces would be accompanied by up to 800 French marines and possibly French warships.

The PLO guerrillas would leave Beirut on ships chartered by the U.S. Government.

Israel Radio claimed that four Arab countries had already agreed to receive the guerrillas. The majority would be taken to Algeria, with smaller groups going to Syria, Iraq and possibly Egypt.

Israeli officials, who did not deny this report, said the of Beirut were at a critical stage, and that the next 48 hours could be crucial.

Israelis stand guard over Beirut lifelines, Page 4

Franks inquiry will concentrate on events leading to invasion

BY PETER RIDDELL, POLITICAL EDITOR

THE OFFICIAL inquiry into the origins of the Falklands crisis will concentrate on events leading up to the Argentine invasion of the islands in April.

A Parliamentary written answer from the Prime Minister yesterday made it clear that she has made concessions to the Opposition parties on the focus as well as on the number of members in the inquiry.

Mrs Thatcher confirmed that the chairman of the committee would be Lord Franks, the 77-year-old former academic and diplomat, and announced the names of the other committee members. The Tory nominees are Lord Watkinson, the former Defence Minister in the Macmillan Government and Lord Barber, the former Chancellor of the Exchequer.

Labour ha snominated Lord Lever, the ex-Cabinet Minister, and Mr Merlyn Rees, former Home Secretary and currently shadow energy spokesman.

The other member will be Sir Patrick Nairne, who retired last year as Permanent Secretary at the Department of Health and Social Security. Sir Patrick, who is to be made a member of the Privy Council, was, ironically, private secretary in the late 1950s to Lord Carrington (who had to resign over the Falklands affair) for part of the time when he was First Lord of the Admiralty.

Lord Franks has had a long series of major public appointments and now sits in the Lords as a Liberal peer. He was British Ambassador to Washington during the period when the Soviet spies Kim Philby and Donald Maclean served there.

The reaction at Westminster was that the composition was the epitome of a safe choice of senior establishment figures.

Mrs Thatcher told the Commons that the inquiry "must be given whatever time it needs to complete its review but I hope it will be able to report within six months—and sooner if possible."

The Prime Minister will

Continued on Back Page
Callaghan attacks Nott, Page 10
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MRS THATCHER yesterday damped down speculation at Westminster about an early general election. She told MPs that she would be "utterly amazed" if there was an October election. This confirms what many MPs suspected was her instinct—to carry on for at least another year before calling an election.

Current-cost accounting opponents lead in poll

BY BARRY RILEY

OPPONENTS of current-cost accounting are registering an early lead in the voting by members of the Institute of Chartered Accountants in England and Wales on the resolution proposed Mr David Keymer and Mr Martin Haslam.

In three days of postal balloting, preceding the institute's special meeting on July 29, members have cast 6,477 votes for the motion to withdraw the current-cost standard SSAP 16; 5,842 votes were cast against.

This is a 52.5 per cent majority for the Keymer-Haslam resolution. However, another three weeks remain for the receipt of votes.

The total 12,319 ballot-papers received is described by institute officials as an unprecedentedly heavy vote It is projected that the eventual turnout will number about 30,000.

This would compare with 25,000 for the previous Keymer-Haslam anti-CCA resolution in 1977. At that time the partners of the Burgess Hill, Sussex, firm forced the abandonment of a previous version of current-cost accounting. On that occasion they won slightly more than 50 per cent of the votes.

Spurred by the early voting returns, institute leaders are believed to be making intense efforts to bring out the vote against the Kelmer-Haslam resolution.

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Bonn in last-ditch moves to save AEG

BY KEVIN DONE IN FRANKFURT

LAST-DITCH moves to enable the banks to grant new credits to AEG-Telefunken, the financially stricken West German electrical group, are to be considered by the Bonn Cabinet today. The proposal's represent a rearguard action to stave off the imminent collapse of the group, the thirteenth largest industrial company in the Federal Republic.

Attempts by AEG's management and its bankers, led by Dresdner Bank, to push through a far-reaching restructuring plan could be engulfed by the immediate liquidity crisis.

To allow new money to be pumped quickly into AEG, the Government and the banks are looking urgently at two possibilities:

● The Federal Cabinet is to consider granting guarantees to cover specific AEG export orders totalling up to DM 600m (£140m). A final decision is unlikely today, but the Cabinet could give a declaration of intent.

● AEG's 24-member banking consortium is examining the possibility of granting DM 200m to DM 300m in new credits against specific collateral as temporary liquidity relief.

As part of its overall strategy for survival — the blueprint AEG-83 — the group has applied to the Federal Government and several provincial states for guarantees to cover new credits totalling DM 1.55bn.

Bonn can take no decision on this request, however, until the application has been closely examined by the state-owned auditors, Treuarbeit, who must certify that the rescue plan has a good chance of success. The Government may not give general loan guarantees if it is very likely they will actually be called.

The Treuarbeit report is not expected for another two to three weeks, but it is clear that AEG's financial position is deteriorating rapidly from day-to-day not least because of growing unease among its trading partners.

It is understood that Bonn could probably act more quickly if loan guarantees were linked specifically to certain export orders. The normal export credit guarantees would be expanded to cover the manufacturing risk, thus freeing existing bank credits for other purposes.

If AEG-Telefunken collapsed, about 123,000 jobs would be at risk, nearly 100,000 of them in the Federal Republic.

AEG's bankers discussed whether to grant temporary emergency credits on Monday night. Dresdner Bank is to clarify the legal obstacles to such a move before the consortium meets again, probably on Friday.

Pipeline talks in Moscow, Page 2

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LUXEMBOURG ACCEPTS BELGIAN ASSURANCES

Pressures on currency link ease

BY GILES MERRITT IN BRUSSELS

PRESSURE from the Luxembourg Government for a significant modification of the Grand Duchy's 60-year-old monetary link with Belgium has been eased after talks between the two governments in Brussels yesterday.

A senior ministerial team led by M Pierre Werner, the Luxembourg Premier, is understood to have accepted assurances on strengthened monetary co-operation from Mr Wilfried Martens, the Belgian Prime Minister. Although Luxembourg emphasised that it would retain its right to float free of the Belgian franc, the likelihood of such a move appeared to have diminished as a result of the talks.

The signs are that Belgium has turned down a number of requests by Luxembourg for a greater role in the management of the linked Belgian-Luxembourg franc.

The Grand Duchy's demand for a separate valuation of its assets, which have traditionally been held by Belgium's central bank, has been countered by a number of technical difficulties and did not therefore figure largely in the discussions.

Further work on the division may yield results in the autumn, but Luxembourg's ambitions to set up a separate monetary "institute," enabling it to be represented in the International Monetary Fund and on the EEC monetary committee seem postponed indefinitely.

The Luxembourg Government is also understood to have sought some form of exchange rate guarantees which could insulate the Luxembourg franc against a further Belgian franc devaluation.

While the Belgian Government was prepared to give an undertaking that there would be no further unilateral devaluations—such as last February's 8.5 per cent European Monetary System realignment which triggered the present Luxembourg discontent—no other guarantees are reported to have been made.

The basis of Belgium's firm handling of the currency talks were that the economic austerity programme being imposed by the Martens Government should ensure, if successful, that no further strains are put on the two countries' monetary union.

M Werner, speaking on his return to Luxembourg, said that if the measures succeed, the Grand Duchy "would ask nothing better than to maintain the monetary association."

The Grand Duchy has nevertheless issued a formal warning to Belgium that if necessary it will be prepared to break the monetary link.

MEPs set their sights on European union

BY JOHN WYLES IN STRASBOURG

THE EUROPEAN Parliament yesterday abandoned those, including most EEC governments, who pay only lip service to European integration and struck out on its own towards "European union." Its aim is to formulate a popular demand voiced by MEPs for a thoroughly reformed and integrated Community.

Success could create political problems and embarrassments for the governments. They willed this directly-elected Parliament into being in 1979. Can they a few years later ignore its analysis of the EEC's ailments and its prescription that a serious revision of the Community's treaties is needed?

This conclusion could well be the result of the guidelines on European union endorsed by MEPs here yesterday which are to be applied by the Parliament's Committee on Institutional Affairs as it frames its detailed recommendations.

Several governments — certainly the Danish, probably the British, possibly the West German—will want to turn a blind eye to this parliamentary venture. It has, after all, a less idealistic side, which is the political aggrandisement of the Parliament itself.

MEPs are frustrated at their lack of powers and influence, and may want to be campaigning for re-election in 1984 on a programme for building Europe which will, incidentally, make the Parliament's role something more comparable to that of their national legislatures.

This development, however, can only be at the expense of the Council of Ministers. Yesterday's guidelines called for proposals for sharing the legislative and budgetary powers between the Parliament and the Council. "The current predominance of the Council will cease," they say. Instead, the institutions would become two separate legislative chambers, with the Council representing member states and the Parliament "the people."

The European Commission, meanwhile, would be transformed into a genuine executive.

But these are only some of the changes to the treaties which the institutional committee may want the Parliament to adopt in October or November next year. After yesterday's vote, the committee has the authority to redefine the tasks which the Community has set itself and its powers over member states.

To the sceptics, who are legion in the Anglo-Saxon areas of the Community, this is all "Euroiunacy" divorced from political reality and drawing much less popular support than the evangelists pretend. Nevertheless, this parliamentary initiative comes at a time of a more general questioning of the Community's priorities relevance and institutional workings and may not be without influence.

France agrees to raise steel export prices

BY GILES MERRITT IN BRUSSELS

THE EEC avoided a serious steel crisis on Monday when France agreed to raise its steel export prices in line with other Community producers.

In an emergency pact following weekend talks between the French Government and European Commission officials, Paris reversed its earlier refusal to implement the 3-4 per cent price rises recently agreed by the 12 major European steelmakers grouped in the Eurofer producers' "club" and which were due to have come into effect on July 1.

The agreement was reached between Viscount Etienne Davignon, the EEC Industry Commissioner, M Jacques Delors, the French Finance Minister and M Jean Pierre Chevenement, France's Industry Minister.

While it means higher prices for French steel exports, French steel producers' domestic prices will not rise by the FFr 100-150 (up to £13) per ton which had been generally agreed by Eurofer as the final third stage of the increases aimed at boosting European steel prices by 12 per cent this year.

The key element in the compromise between Paris and Brussels is that French steel companies are undertaking not to increase their market shares inside France as a result of their comparatively lower prices.

This will ensure that other EEC producers do not lose export business in France as a result, although it leaves open the possibility that other EEC governments might see comparable advantages in seeking a similar concession.

The special conditions negotiated by France reflect the fact that the EEC steel prices agreement should not cut across its temporary price freeze and fight inflation by raising industrial costs.

It was that consideration, together with a reluctance to sacrifice the advantages of its recent 8.5 per cent devaluation of the franc against the D-mark in the European Monetary System, which at the end of last week led to the French refusal to follow the general steel price increases.

The Commission was prompted to open urgent talks with Paris by the threat which France's earlier refusal to follow the price rises had posed to price stability in the EEC steel régime.

An additional concern was that Bonn had already begun to react strongly to the possibility that French steelmakers would be able to undercut West German steel prices, with a renewal of earlier suggestions that it might be forced to impose border levies or steel quotas to protect its producers' home markets.

M Davignon has headed off a steel prices row that could have precipitated the collapse of the disciplines required to maintain order in the EEC steel market because it coincides with sharply reduced consumption in the EEC and the new U.S. measures to curb EEC exports.

The European Commission's preoccupation, however, remains the negotiation of a fresh agreement with Washington that would lift the threat of still tighter steel curbs, and M Davignon is expected to open talks with the U.S. Government soon.

Belgrade seeks rise in exports

BY ALEKSANDER LEBL IN BELGRADE

BRITAIN HAS made a larger contribution in supporting the beleaguered Yugoslav economy with loans and credits than any other West European country, Mr Francis Pym, the UK Foreign Secretary, told a Press conference at the end of a two-day visit.

His Yugoslav counterpart, Mr Lazar Mojsov, made clear during talks that his country was keen to increase its exports to the UK. Last year these amounted to less than a quarter of the £251m in goods it imported from Britain.

This UK-Yugoslav imbalance may be narrowed by the import cuts to which the Belgrade government has generally resorted in order to try to close its current account deficit. But Mr Pym expressed hope that more credits would be available for Yugoslavia this year, though he did not say whether this might be export credits or financial credits which Yugoslavia has found it hard to raise this year.

Much of Mr Pym's talks were taken up with East-West issues, which he also discussed with President Petar Stambolic, and Prime Minister Milka Planinc. But on his first trip outside the U.S. and the EEC since taking office last April, the British foreign secretary sought to minimise transatlantic differences over policy towards the Communist bloc.

He told the Press conference that while Britain understood U.S. objectives to hamper development of the Soviet gas pipeline to Western Europe, it belived the Reagan Administration should reconsider its refusal to allow Western European companies to export U.S. technology to the Soviet Union. The trouble caused inside the Nato alliance by the U.S. ban was not worth it, he said.

In earlier speeches during the visit Mr Pym and Mr Mojsov condemned the Israeli invasion of Lebanon. Mr Pym said that, although Yugoslavia had not taken Britain's side in the Falklands war, it understood the British actions had been taken on the principle that force could not be used to resolve territorial disputes.

Both men hoped that East-West detente could be revived, though Mr Pym said "events in Poland, Afghanistan and elsewhere made it impossible to develop a climate of confidence."

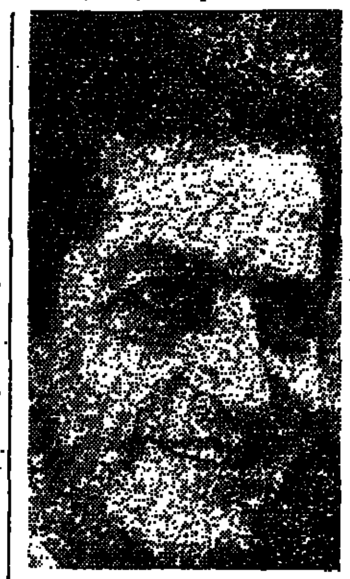
Lisbon bid to keep Setenave shipyard open

By Diana Smith in Lisbon

THE FATE of Portugal's largest shipbuilding yard, Setenave, south of Lisbon, is to be negotiated by a special Government commission.

The yard, established by private interests in the early 1970s, and nationalised in the revolutionary seizure of major assets in 1975, has lost Esc 10.7bn (£73m) since 1976. Successive governments have pumped Esc 7bn into the yard, in an effort to try to save it.

The Balsemao Government is bent on finding a workable means of easing the state's burden without shutting the yard down. Some 6,000 jobs are at stake, and the Government is none too popular with labour.



Sr Suarez . . . threat to leave UCD

Spanish party chief tries to halt defections

By Robert Graham in Madrid

A DESPERATE bid is being made by Sr Leopoldo Calvo Sotelo, the Spanish Prime Minister, to prevent his ruling Union de Centro Democratico (UCD) party disintegrating. But with new desertions from the Christian Democrat and Liberal factions, it is only likely to hold together in slimmer form.

There have been constant meetings in the past six days between the faction leaders. With the approach of the summer holidays there is a feeling in the party that it must reach quickly a definitive solution to its debilitating internal divisions. Only in this way can the UCD offer a credible image to the electorate increasingly expecting a general election in the autumn.

The main negotiations have been carried out by Sr Calvo Sotelo, Sr Adolfo Suarez, the former Premier, and Sr Landelino Lavilla, the Speaker of Parliament.

Two basic problems need to be resolved—the party's electoral image and control of the party apparatus.

The UCD, created from more than 13 groupings to fight the first democratic general election in June 1977, has never been more than a coalition of alliances held together by a desire to stay in power.

The party's ideology ranges from left-of-centre Social Democrats and Liberals to right-wing Conservatives and former Franco bureaucrats. After more than five years in power, personal conflicts and contradicting ideology have come increasingly to the fore.

With the prospect of an election in the autumn, these factions are considering whether it is best to remain inside the party or leave—either to form new groupings or ally directly with the Socialist Party on the left or Alianza Popular on the right.

In December the bulk of the Social Democrats in Parliament left the UCD under Sr Francisco Fernandez Ordonez, the former Justice Minister. Others have since gone their own way, cutting the party majority from 165 to 149. This week, the Liberals have begun to leave and Sr Oscar Alzaga, a leading figure among the conservative Christian Democrats, has decided to defect to Alianza Popular.

UCD's direct vote in Parliament could soon be cut to 129 out of 350 seats.

The Liberals believe the party is taking an irreversible turn to the right, preparing the ground for an alliance with Alianza Popular, headed by Sr Manuel Fraga, a former Franco minister. The Liberals will formally constitute a party next week.

The right in the UCD, on the other hand, believes the party will not subscribe to the idea of an alliance with Alianza Popular to form "the natural majority."

With these desertions taken more or less for granted, the fight is on for the control of the rest of the UCD. Sr Calvo Sotelo is trying hard to preserve it intact. To do this he appears willing to make many concessions.

The main ones are being demanded by Sr Suarez who was forced to resign the party leadership in January 1981. He is insisting on control of the party apparatus — something he and his former supporters conceded only last autumn. Otherwise, he is threatening to leave with some 40 MPs and the allegiance of most of the party's regional bosses.

Sr Calvo Sotelo has reportedly gone as far as he is willing by offering to stand down from the party leadership in favour of Sr Lavilla after less than nine months there.

Sr Suarez is playing hard on the fact that polls show he is the UCD's best electoral asset. Opposing him are a group of former Franco bureaucrats, headed by Sr Rodolfo Martin Villa, the Deputy Premier. They are using this squabble as a means to take control of the party.

The fight reflects little credit on the party and is likely to alienate the electorate further. One unpublished opinion poll reportedly gives UCD only 5 per cent of the vote.

Extra $500m pledge helps ease IDA's budgetary problems

BY WALTER ELLIS IN AMSTERDAM

ACUTE BUDGETARY problems affecting the operations of the International Development Association (IDA) for the 1983 fiscal year just beginning could be alleviated partly by a decision of 11 donor countries to contribute an extra $500m.

While the promise of this sum has been warmly welcomed by the IDA, however, there is still anxiety over the attitude of the U.S., by far the largest contributor, which "owes" $950m for 1983 and has so far paid nothing. Planned spending for the year was $4.4bn, but even with the U.S. contribution, income for the year is expected to be only $3.3bn.

The crisis could have a serious effect on aid flows to the least developed countries—many of them in Africa—and to India, which accounts for 40 per cent of IDA loans. The IDA, the soft loans division of the World Bank, is their main lifeline at present, providing interest-free loans with a 10-year grace period and a 50-year maturity.

At a meeting in The Hague this week of 25 of the most important donor countries, Washington confirmed that it was not willing to contribute its 1983 allocation until it had seen the extent of the commitment of other countries to the 1984-87 period. The Reagan Administration, in any case, has had problems in getting even its theoretical contribution through Congress. It may well end up paying only $700m, as it did for 1982, thus adding substantially to the existing shortfall.

West Germany, France and Italy have adopted a similar line over their contributions, while Britain, though apparently in favour of an early disbursement, has yet to take a formal decision.

The U.S. contributes 27 per cent of the IDA's total budget, rising to 31 per cent when account is taken of the rising value of the dollar, and is a vital catalyst in the reaction of European donors. Its theoretical contribution for the period between 1981 and 1983 is $3.2bn.

At the end of the meeting in The Hague yesterday, Mr Mooen Quereschi, senior vice-president of the World Bank in charge of IDA operations, said he was "extremely satisfied" at the outcome, despite the U.S. attitude. Brazil, Saudi Arabia, Sweden, Norway, Denmark, Finland, Iceland, the Netherlands, Austria, Yugoslavia and South Korea had all agreed to release their full 1983 allocations, and the Saudis and the Dutch were ready to pay up immediately.

A recent French suggestion proposed setting up a special fund for 1983, which would be outside the IDA's normal budget, and would contain the balance of contributions from other donors than the U.S., tied to exports from those countries. The idea is still under consideration, but the association itself is not 100 per cent in favour, in case it should set a precedent and add to administrative costs. Officials see the idea as a damage limitation device and would prefer an arrangement within the context of normal provisions.

Poland eases law on foreign capital investment

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND'S Parliament yesterday passed a law liberalising the regulations under which foreign capital could be invested in small-scale businesses.

Under the regulations, which have been in existence for five years, foreign nationals could start businesses in the country.

From the end of 1981, there were 154 small businesses employing 3,100 people with a turnover of Zloties 3.1bn (£20m) and with exports worth £1m.

Mr Longin Cegielski, presenting the draft law for approval, said that the number of companies was expected to double by the end of the year.

The legislation permits foreigners to transfer profits in hard currency abroad to the annual value of 10 per cent of the sum invested in the enterprise and 50 per cent of export earnings over import costs.

Mr Aloyzy Melich, a deputy, said that the legislation brought no risk of the return of capitalism and implied that Karl Marx would have approved.

The explanation was necessary as the Bill is regarded with suspicion by the dogmatic wing of the establishment and more legislation is due in the autumn, allowing greater participation by foreign capital in the Polish economy.

Meanwhile, Mr Edmund Osmanczyk, another deputy, spoke in favour of liberalising travel regulations and supported Mr Romuald Bukowski for his speech on Monday urging an end to martial law.

Pay curbs blamed for low productivity in industry

BY OUR WARSAW CORRESPONDENT

THE POLISH Government's policy of restraining wage increases is contributing to low productivity in industry and means that output is being held back by labour shortages even in those sectors where raw materials and machinery are available.

This argument which flies in the face of the policy being conducted by the Finance Ministry and the banks has been put forward in a leading article in the current issue of Zycie Gospodarcze, the Polish economic weekly.

The Government has been attempting to balance supply and demand by curbing the growth of incomes. According to unofficial estimates, this aim was achieved last month for the first time when incomes balanced the supply of goods and services.

However, the Government said last week that there are plans to tackle the most acute problems by raising pensions and minimum wages, but that this will not solve all the difficulties.

Zycie Gospodarcze admits that the main barrier to a recovery of industrial production is the lack of hard currency credits for imports of raw materials and semi-finished products. But it adds that output of consumer goods is being restrained by the flow of labour away from badly paid jobs, low worker motivation and taxes which penalise a growth in employment.

● The Government has not attempted to tamper with Western food and medical aid to Poland for its own political purposes, the senior aid co-ordinator for the Polish Roman Catholic Church assured representatives of British charities in London yesterday, writes David Buchan.

Bishop Czeslaw Domin of Katowice said that 100 per cent of the Western aid sent via the Church, had reached the needy in Poland for whom it was intended.

Irish insurer claims Minister damaged company's standing

BY BRENDAN KEENAN IN DUBLIN

THE IRISH Republic's largest car insurer, the Private Motorists' Protection Association, has called for the resignation of Mr Desmond O'Malley, Minister for Trade and Commerce.

Company executives are also considering whether to sue the Minister for alleged damage to the company's standing.

The row arose over newspaper allegations that Mr O'Malley called a meeting of other insurance companies and discussed the position if the PMPA — which insures more than half of Ireland's private motorists—was to fail.

The company is angry that Mr O'Malley has not denied the allegations and is only partly mollified by a statement at the beginning of the week that the PMPA accounts for the year ended December 31, 1981 had been received by the Ministry and showed that it had met its obligations and made a profit.

The PMPA believes the company has been damaged by these events. A spokesman said they were in a business where they were sensitive to rumour, but it was too early to say if there had been any actual loss of business.

The PMPA grew up as a reaction to the fact that 80 per cent of the Irish Republic's car insurance business was held by British companies. It is largely the creation of Mr Joe Moore, its chairman.

However, the company has a disadvantage in that over 90 per cent of its business is in motor insurance where it is notoriously difficult to make an underwriting profit.

The company has diversified, but some of its subsidiaries, such as a Sunday newspaper and a farm machinery business, have had to be jettisoned because of losses.

PMPA insists that its financial position is sound, but the row with the Minister comes as other companies have been making efforts to lure its prime customers, by age or profession, with discounts on car insurance.

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W. German 'Greens' given more support

By Jonathan Carr in Bonn

"THE GREENS," the West German movement of ecologists and peace protesters, now has more national support than the liberal Free Democratic party in the Bonn coalition Government, thanks not least to its growing attraction for the young.

This emerges from an opinion poll at a time when the Social Democrats (SPD) — senior partner in the Bonn coalition —are flirting increasingly with the idea of some form of co-operation with the Greens.

According to the poll taken by the respected Allensbach Institute last month, 7.7 per cent of West German voters would support the Greens in a general election (against 5.8 per cent a year earlier). Only 6.8 per cent would vote for the Free Democrats (FDP), compared with 10.1 per cent before.

These results are still well below those achieved by the large political parties. The SPD was just over 31 per cent of the vote, according to Allensbach, and the Christian Democrats-Christian Social Union, 53 per cent.

Further regional differences among the Greens indicate that the movement might split into disputing factions if it tried to fight a national election campaign.

Nonetheless, the presence of the Greens—under slightly different names—in five regional parliaments, and the support now revealed by Allensbach, show that a new third force has arrived on the West German political scene.

This is disturbing above all for the FDP (the third force until now), but the SPD has cause to worry, too. The opinion poll shows an increasing number of young people (aged 18-29) turning to the Greens from the Social Democrats over the past two years.

In early 1980, 52 per cent of voters in this age group said they would support the SPD, and 10 per cent the Greens. In the poll last month, 30 per cent spoke out for the SPD, and 21 per cent for the Greens.

The Social Democrats insist they plan no formal coalition with the Greens, but in the city-state of Hamburg they are already being pressed into an accommodation with them. This is because the SPD failed to gain an absolute majority in last month's Hamburg elections, the FDP gained no seats—but the Greens won nine.

Moscow talks on future of gas pipeline

By Anthony Robinson, East Europe Correspondent

SOVIET Gas Ministry officials yesterday discussed the future of the Siberia-West Europe gas pipeline with representatives of AEG-Telefunken and Mannesmann, the main West German contractors for the supply of gas turbines, and tubes and ancillary equipment.

The talks are the latest in a series of negotiations over the past week following President Ronald Reagan's decision to extend the ban on U.S. technology exports to the subsidiaries or licensees of U.S. corporations.

Representatives from John Brown, Creusot-Loire, and Alsthom-Atlantique have already discussed the problems which have arisen, as have two senior West German bankers involved in the financial aspects of the complex gas-for-equipment deal.

A team from the Italian turbine supplier Nuovo Pignone also arrived in Moscow for technical talks.

But the most fragile link in the chain now appears to be AEG which has lost more than $800m (£470m) over the past two years and whose ability to fulfil its $280m contract to supply turbines appears to depend as much on survivability of the company as on the complications caused by President Reagan.

Growth in output unlikely to prevent loss of jobs

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE GRAVE outlook for jobs and the uncertain prospects of a really substantial revival of investment are the main themes of the Organisation for Economic Co-operation and Development's Economic Outlook published today.

It says that the average growth of output expected in OECD countries—½ per cent this year and 2½ per cent next year—is unlikely to be high enough to prevent unemployment from continuing to rise.

In the latter part of 1981, 7½ per cent of the OECD countries' labour force was unemployed. The organisation says this could rise to 9 per cent, representing 32m people by the first half of 1983. In Europe, the rate could be 10½ per cent.

The report says the problem of unemployment in the U.S. appears to be largely a cyclical phenomenon, whereas in the European countries, the cyclical increase seems to be superimposed on a rising underlying trend.

The reasons for this protracted deterioration are not fully understood, it says, adding: "It would seem that a range of structural factors have been important in various countries, including significant and perhaps growing inflexibility in labour and product markets, the emergence of major imbalances in the share of aggregate income, and a shift in the tax burden to employment and investment."

These problems include a succession of laws and tax measures to "limit both the freedom of action of employers and the perceived need for mobility on the part of workers."

A second important factor was the relatively rapid increase in wages and non-wage labour costs in the 1970s which led to a sustained reduction in profit shares in many countries. "Typically for those countries, labour cost inflexibility and a squeeze on profits have harmed employment."

It says there has also been concern in many countries about the increasing share of national income accounted for by government spending. Where efforts have been made to curb public spending, there has been a tendency for public investment to be cut back.

The pattern of adaptation to the two sharp rises in oil prices—in 1973 and 1979—has shown some substantial evidence of flexibility in the market economies, however.

"Compared with 1973, OECD economies on average now use about 16 per cent less energy per unit of GNP (output) and about 26 per cent less oil." By contrast, energy consumption per unit of output in the centrally planned economies has declined by less than 5 per cent in the decade to 1980.

Despite this evidence of adaptation, however, the report says there is concern about whether the developed economies can mount the accelerated programme of productive investment which will be needed to replace plant which has been made permanently obsolete by the higher oil prices.

"Stepping up the rate of investment in an essentially market orientated economy is not, however, straightforward." One of the main difficulties is that businesses tend to increase investment when they expect higher demand. With demand depressed, traditional policies would have sought to reduce under-utilisation of labour and equipment and so stimulate further investment.

"Such an approach is not being pursued, mainly out of conviction that a significant part of any stimulus to demand would increase public sector deficits and dissipate itself rather quickly as an increase in inflation, thereby proving ineffective in lifting output in a sustainable way."

The Organisation says that partly as a result of resistant inflation rates and high real interest rates, "investment has so far shown little sign of the pick-up that is needed for recovery to be self-sustaining."

OECD Economic Outlook number 31, July 1982. Subscription $21.50, £9.60, FFr 96, from 2, rue André Pascal, 75775 Paris Cedex 16, France.

GROWTH OF REAL GNP IN OECD AREA
(% changes from previous period, seasonally adjusted at annual rates)

	1980 Share in total	Average 1970 to 1980	1981 II	1982 I	1982 II	1983 I	1983 II
U.S.	34.6	3.0	−0.8	−3½	2	2	2½
Japan	13.7	4.8	1.8	1½	3	4	4½
W. Germany	10.8	2.8	0.9	½	2	3½	3½
France	8.6	3.6	1.5	2½	3	2½	2½
Britain	6.9	1.9	1.0	1	2	1½	1½
Italy	5.2	3.1	−1.9	2½	2½	2½	2½
Canada	3.3	4.0	−0.8	−2½	−1½	1½	2½
Total of above	83.1	3.3	0.1	−1	2½	2½	3
Other OECD countries	16.9	3.1	1.0	1½	2	2½	2½
Total OECD	100.0	3.3	0.3	−½	2½	2½	3
Major four European countries	31.6	2.9	0.4	1½	2½	2½	2½
Total OECD less U.S.	65.4	3.4	0.9	1½	2½	2½	3
Industrial production:							
Major seven countries	—	3.0	−0.6	−4½	3½	3½	5
Total OECD	—	3.0	−0.5	−3½	3½	3½	4½

Wider public sector deficits expected

By David Marsh

OVERALL PUBLIC sector deficits in the main industrialised countries are expected to worsen in 1982 and 1983 as sluggish economic growth raises government spending and depresses tax receipts, the OECD says.

The general government financial balance for the seven largest countries is expected to be in deficit to the tune of 3.9 per cent of GNP both this year and next compared with 2.7 per cent in 1981 and 2.5 per cent in 1980. The general government balance includes central, local and state governments and social security funds.

The main factor behind this trend is the large increase in the U.S. budget deficit, which is expected to rise—on a national accounts basis—from $58bn in fiscal 1981 to $135bn in fiscal 1982 and $156bn in fiscal 1983, substantially above official intentions. In West Germany, Britain and Japan, some progress towards lower deficits is expected in 1982 and 1983.

UK real wages set to rise more slowly than average in 1983

BY ROBIN PAULEY

REAL WAGE incomes in Britain are set to rise more slowly in 1982 and 1983 than the OECD average while productivity improvements in the same years will be among the best of the 19 countries.

The OECD's detailed forecasts show that real wage incomes rose by 2.6 per cent in the UK in 1981 but are expected to rise by only 0.25 per cent this year and 0.5 per cent next against an OECD average of 1.3 per cent in 1981 and forecasts of 1.25 per cent for both this and next year.

Real wage incomes are expected to fall in both years in Belgium and this year in Ireland, Norway and Sweden.

Real labour costs in Britain are expected to continue to rise at a slower rate with 1.5 per cent forecast for 1982 and 0.75 per cent in 1983 compared with 1.5 per cent and 1.25 per cent for the OECD average.

Britain has one of the best productivity forecasts. After a rise of 2.7 per cent in 1981 the report predicts increases of 3.75 per cent in 1982 and 2.25 per cent in 1983 compared with the OECD average of 1.1 per cent in 1981 followed by 1.25 per cent in 1982 and 2 per cent in 1983.

This means Britain's productivity forecasts are better for this year and next, taken together, than those in the U.S., Japan, West Germany and France, although Germany has a very high forecast of 3.25 per cent for 1983 alone.

Hourly earnings in manufacturing are forecast to rise more slowly than the OECD average rate for the first time in 1983 when a rate of 7.75 per cent is forecast for Britain against 8 per cent for the OECD and 9.5 per cent for OECD Europe.

But the U.S., Japan and West Germany all have figures substantially below Britain's in both 1982 and 1983, although France's are way above—almost double in 1983 at 14 per cent.

There were indications that wage behaviour in many countries had become more responsive to labour market conditions and the financial positions of companies.

In some countries there was a consensus that real-wage moderation was needed to moderate domestic inflation: in others there may be a growing awareness of the link between real labour costs and medium-term employment prospects.

If the degree of wage moderation since 1979 could be sustained or consolidated, they could help to reduce OECD inflation rates to near those prevailing before the first oil crisis in 1974.

The shift towards more fragmented wage negotiations to accommodate local or specific company conditions has become increasingly important, particularly in the U.S.

Recent settlements involving large, high-wage trade unions in depressed U.S. industries—airlines, automobiles, meat packing, rubber and trucking—have resulted in major pay concessions by unions in return for greater assurances about job security and/or profit sharing.

A similar trend is apparent in the UK, the report says, where greater emphasis has been placed on negotiations at the plant or company level.

Consumer price inflation is projected to fall to 7.5 per cent in the OECD area by the second quarter of 1983. The projection for Britain is below this figure at 6.75 per cent.

Unemployment is forecast to increase further in Britain

BY ROBIN PAULEY

UNEMPLOYMENT WILL continue to rise in Britain throughout 1982 and 1983. By the end of next year Britain will have had the highest level of unemployment for three consecutive years of the seven main OECD states—U.S., Japan, West Germany, France, UK, Italy and Canada.

The forecast is for 12 per cent unemployment in Britain in 1982 and 12.25 per cent in 1983, against 10.6 per cent in 1981. This compares with OECD Europe figures of 8.5, 10 and 10.5 per cent in 1981, 1982 and 1983 respectively and the overall OECD averages of 7.2, 8.5 and 9 per cent. The unemployment level in Japan is forecast to remain stable at around 2.25 per cent throughout this year and next.

Labour market conditions have deteriorated consistently since 1980 and, by the second half of last year, employment was falling in about two-thirds of OECD states. But the labour force continued to grow at about 1 per cent per annum, leading unemployment rates up in every OECD country except Japan.

Employment fell so quickly in Europe that labour productivity continued to rise, an unusual occurrence during a recession. And in France, Britain, Ireland and the Netherlands productivity grew faster in 1981 than in 1980 despite lower growth or an actual fall in GDP.

The report singles out Britain's labour productivity performance as being "particularly noteworthy" because employment fell in 1981 by nearly 5 per cent—nearly twice the fall in GDP. The cumulative fall in European employment from the 1979 peak may exceed 2 per cent (3m people) by the end of this year, including a record decline of 8 per cent in Britain.

The proportion of long-term unemployed continues to rise. In Britain, 52 per cent of the unemployed in early 1982 had been out of work for more than six months compared with 39 per cent a year earlier. In the U.S., the number of long-term unemployed climbed from 11 per cent in 1980 to 17 per cent in 1981.

Declining OECD employment may turn out to have gathered momentum in the first half of 1982 and this could continue throughout the year in spite of GDP growth. The only bright note is that, on the basis of projected output, European employment should start to rise in 1983 along with the rest of the OECD region.

The OECD is particularly gloomy about youth unemployment in the seven main countries, where the rate is forecast to reach 17.5 per cent this year and 18.25 per cent next year.

Foreign trade achieving a degree of overall stability

BY ROBIN PAULEY

A MEASURE of overall stability in foreign trade and current balances is expected in the OECD area this year and next, in marked contrast to recent years, although considerable changes might occur to the balances of individual countries.

Outside the OECD, however, the picture is less stable. Opec's current balance is considered to have continued its rapid deterioration in the first half of 1982 and could be close to balance in 1983. The rising cost and reduced availability of foreign credit may result in an eventual fall in the combined deficit of non-oil developing countries.

The growth of total OECD export volumes to non-OECD countries may already have started to decline and future growth could be relatively modest. Many non-OECD states may try to restrain the growth of their external deficits because of external financing constraints.

OECD trade prices in local currency terms are expected to rise by 5-6 per cent this year and next, compared with an annual rate of growth of 12 per cent in the three years to 1981. This reflects the direct and indirect effects of the recession.

These volume and price movements imply a $15bn year-on-year fall in the OECD aggregate current deficit in 1982. A deterioration in the real foreign balance as activity picks up, combined with a projected deterioration on invisible account, could more than offset mildly favourable terms of trade developments. This would cause the aggregate current account deficit to widen further to about a $20bn annual rate from the middle of 1982 onwards.

The U.S. is projected to swing from large surplus in 1982 to deficit by 1983 and the large UK surplus of 1981 could be halved to £8.25bn this year and remain fairly stable thereafter. France, Italy and Canada may register substantial deficits each year. Japan is expected to increse its surplus substantially in 1982 and in 1983, and West Germany is also expected to increase its surplus throughout the next 18 months.

The most conspicuous change in competitiveness is in the U.S. where the strength of the dollar since 1980 is projected to lead (on the assumption of stable exchange rates) to a 20 per cent decline in competitiveness by 1983. The cumulative loss of market shares and of import penetration could amount to more than $80bn at 1980 prices. The UK is also projected to be a serious loser because of exchange rate induced competitive effects.

Bonn sees chance to rout critics

By Jonathan Carr in Bonn

THE BONN Government seems bound to pounce on the OECD's highly positive projections for the West German economy next year, as ammunition against its domestic critics.

The 1983 federal budget being passed by the Cabinet today has been widely attacked on the grounds that it is based on an over-optimistic assumption of 3 per cent real growth in GNP.

The political opposition as well as several economic experts have been arguing that growth will be markedly lower, the state deficit higher and government borrowing bigger than estimated.

However, the OECD actually projects 3.25 per cent real growth in the German economy in 1983 (after a real 1 per cent this year) along with a 3 per cent rise in consumer prices — the lowest in the OECD area.

It also believes that a German current account surplus this year to $2.25bn (£1.3bn) will about double next year to $4.75bn, thanks to a 1983 visible trade surplus of $34.75bn.

If the latter figure were achieved, it would be the biggest trade surplus in West German history.

It is recognised in Bonn that a very big question mark hangs over the timing of the economic upswing, and that almost everything will have to go right if the OECD's projections are to be fulfilled.

The OECD sees real GNP in West Germany increasing by 2 per cent in the second half of this year and by 3.5 per cent in the first half of 1983.

BASE LENDING RATES

A.B.N. Bank	12½%	Grindlays Bank	†12½%
Allied Irish Bank	12½%	■ Guinness Mahon	12½%
Amro Bank	12½%	■ Hambros Bank	12½%
Henry Ansbacher	12½%	Hargrave Secs. Ltd.	12½%
Arbuthnot Latham	12½%	Heritable & Gen. Trust	12½%
Associates Cap. Corp.	13 %	■ Hill Samuel	§12½%
Banco de Bilbao	12½%	C. Hoare & Co.	†12½%
BCCI	12½%	Hongkong & Shanghai	12½%
Bank Hapoalim BM	12½%	Kingsnorth Trust Ltd.	14 %
Bank of Ireland	12½%	Knowsley & Co. Ltd.	13 %
Bank Leumi (UK) plc	12½%	Lloyds Bank	12½%
Bank of Cyprus	12½%	Mallinhall Limited	12½%
Bank Street Sec. Ltd.	13½%	Edward Manson & Co.	13½%
Bank of N.S.W.	12½%	Midland Bank	12½%
Banque Belge Ltd.	12½%	■ Samuel Montagu	12½%
Banque du Rhone et de la Tamise S.A.	13 %	■ Morgan Grenfell	12½%
Barclays Bank	12½%	National Westminster	12½%
Beneficial Trust Ltd.	13½%	Norwich General Trust	12½%
Bremar Holdings Ltd.	13½%	P. S. Refson & Co.	12½%
Brit. Bank of Mid. East	12½%	Roxburghe Guarantee	13 %
■ Brown Shipley	13 %	Slavenburg's Bank	12½%
Canada Perm't Trust	13 %	Standard Chartered	‖12½%
Castle Court Trust Ltd.	13 %	Trade Dev. Bank	12½%
Cavendish G'ty T'st Ltd.	14 %	Trustee Savings Bank	12½%
Cayzer Ltd.	12½%	TCB	12½%
Cedar Holdings	13 %	United Bank of Kuwait	12½%
■ Charterhouse Japhet	12½%	Volkskas Intl. Ltd.	12½%
Choulartons	13 %	Whiteaway Laidlaw	13 %
Citibank Savings	‖12½%	Williams & Glyn's	12½%
Clydesdale Bank	12½%	Wintrust Secs. Ltd.	12½%
C. E. Coates	13½%	Yorkshire Bank	12½%
Comm. Bk. of Near East	12½%		
Consolidated Credits	12½%		
Co-operative Bank	*12½%		
Corinthian Secs.	12½%		
The Cyprus Popular Bk.	12½%		
Duncan Lawrie	12½%		
Eagil Trust	12½%		
E.T. Trust	12½%		
Exeter Trust Ltd.	13½%		
First Nat. Fin. Corp.	15 %		
First Nat. Secs. Ltd.	15 %		
Robert Fraser	13 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 9.5%, 1-month 9.75%. Short term £8,000/12 month 12.1%.
† 7-day deposits on sums of: under £10,000 9½%, £10,000 up to £50,000 10¼%, £50,000 and over 11%.
‡ Call deposits £1,000 and over 9½%.
‖ 21-day deposits over £1,000 10½%.
§ Demand deposits 9½%.
¶ Mortgage base rate.

Hong Kong corruption probe ends

By Robert Cottrell in Hong Kong

THE HONG KONG Government's independent commission against corruption has concluded a five-month investigation into the affairs of Mr Ulsdein McInnes who resigned as the colony's commissioner of securities last October.

Mr McInnes was arrested in February this year and bailed in his own recognisance. He has been on bail since then and has had to surrender his passport, though he has not yet been charged.

The basis for his arrest was Hong Kong's prevention of bribery ordinance, which sanctions the investigation of public servants apparently enjoying a standard of living above that commensurate with their official emoluments.

The file compiled by commission investigators will now be passed on to Hong Kong's Attorney General, Mr John Griffiths, whose offic will decide whether there are grounds for a prosecution.

The commission, established in 1974, answers directly to Hong Kong's governor and enjoys wide-ranging powers to combat corruption. These powers include arrest without warrant, detention of suspects for up to 48 hours and authorisation to examine bank accounts and safe-deposit boxes.

A controversial aspect of the commission's investigation of Mr McInnes has been its decision to disclose his identity in an official statement following person arrested and bailed at the same time as Mr McInnes has officially remained anonymous. The commission refused to comment yesterday on whether investigation of the other person had also been concluded.

Mr McInnes cited "personal grounds" as the reason for his resignation from the post of securities commissioner last year.

Strike by 22,000 S.African white mineworkers averted

BY BERNARD SIMON IN JOHANNESBURG

A STRIKE by 22,000 white South African mineworkers was averted yesterday when mining houses and militant trade unions agreed on a compromise settlement to their wage dispute.

The Chamber of Mines and the unions agreed on a 12 per cent wage increase as well as a R200 (£105) bonus to compensate workers for the late implementation of this year's wage award.

The unions had originally demanded 15 per cent, while employers were not prepared to go higher than an offer of 9 per cent. The increase applies to gold and coal mines.

As a result of the settlement, the strike ballot called by the unions for today has been cancelled. There is little doubt that had the ballot gone ahead, most white miners would have voted in favour of a strike, the first legal work stoppage on South Africa's mines.

Although the unions agreed to a lower increase than they initially demanded, the settlement is a clear defeat for the mining houses who had insisted that neither they nor the national economy could afford a double-digit wage increase. The 12 per cent rise will cost them about R28m a year.

As a result of the higher offer, white miners will now receive an increase this year only marginally less than that of black workers, thus ending more than a decade of substantially higher wage awards (in percentage terms) to blacks.

Black mineworkers' wages are, on average, one-fifth of those paid to their white colleagues.

However, blacks do not have the advantage of aggressive trade unions to negotiate on their behalf. Their pay increases are decided solely by employers.

The mining companies' decision to compromise appears to have been influenced by the intervention last week of Mr F. W. De Klerk, Minister of Mineral and Energy Affairs, who urged both employers and unions to settle their differences in the interests of South Africa'

Mr Johan Liebenberg, the chamber's labour adviser, said yesterday that employers had initiated fresh negotiations with the unions after receiving the Minister's message.

Meanwhile, almost 100 black miners were arrested yesterday after a wildcat stoppage at the Venterspost gold mine at Westonaria, west of Johannesburg.

Venterspost is the third mine managed by Gold Fields of South Africa at which unrest among black workers has been reported in the past five days.

Cabinet reshuffle for Pretoria

BY BERNARD SIMON IN JOHANNESBURG

THE TRANSVAAL leader of South Africa's ruling National Party, Mr F. W. De Klerk, has been promoted in an extensive Cabinet reshuffle announced by Prime Minister P. W. Botha yesterday.

Mr De Klerk, 46, at present minister of mineral and energy affairs, is to take over the internal affairs portfolio, a key political post which includes the administration of the coloured (mixed race) and Indian communities, censorship laws and race classification.

Mr De Klerk is frequently mentioned as a possible future Prime Minister.

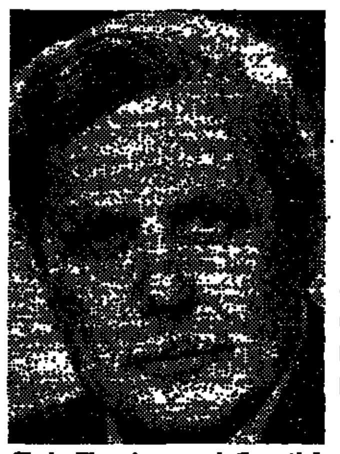
The present internal affairs minister, Mr Chris Heunis, who is a confidant of the Prime Minister and one of his most influential supporters, has been moved to the new portfolio of constitutional development.

He will be responsible for implementing the recent proposals of the President's council, which aim to give limited political powers to coloureds and Asians.

Mr De Klerk took over the reins of the National Party in the Transvaal last March after the defection of Dr Andries Treurnicht, now leader of the ultra-right wing Conservative Party.

The only minister dropped from the cabinet in the latest reshuffle is Mr Hendrik Smit, minister of posts and telecommunications.

Mr Smit raised a storm two years ago by referring to blacks as "slow thinkers."



Chris Heunis . . . influential supporter of the PM takes the new portfolio of constitutional development

Unease over Australian Labour plan for uranium

By Michael Thompson-Noel in Sydney

GROWING nervousness in the Australian Government over opposition Labour Party plans to clamp down on uranium exports if it came to power surfaced last night when Mr Doug Anthony, the Deputy Prime Minister warned that Labour policy could "shatter" ties with Australia's allies and trading partners.

He was speaking on the eve of today's debate on uranium policy at the Labour Party's national conference in Canberra.

Mr Anthony, who is also the Minister for Trade and resources, urged Labour to jettison its declared policy of rejecting all existing uranium contracts should it gain office.

The Labour leader, Mr Bill Hayden, has also worked feverishly to press for an end to Labour's hard-line uranium policy. Together with party moderates, he is seeking a new draft policy that would remove the controversial repudiation clause, but toughen proposals on safety. But he is under pressure from left-wingers.

Reported Australian mine production of uranium oxide last year was 3,373 tonnes, almost double that of 1980.

Mr Anthony said in Canberra last night that present Labour policy on uranium was based on "primitive ignorance and fear."

The Deputy Prime Minister said Australia's safeguards were as stringent as those anywhere. He said it was clear Australia had an obligation to supply uranium to the rest of the world, and said the Labour Party's credentials would be worthless unless it revised its policy and supported the uranium industry.

Fighting flares on Gulf warfront

Fighting has flared up again on the southern front of the battlefield between Iraq and Iran. Heavy artillery exchang were reported by both sides yesterday around the towns of Khorramshahr, Basra and Abadan on the disputed Shatt al-Arab waterway, our foreign staff writes. The new fighting follows the announcement by Iraq last month of a unilateral ceasefire. Iraq also said then it was pulling its troops out of the remaining Iranian territory it had captured during the 22 months of fighting after a series of Iranian victories in the Gulf war.

Mr Yasser Arafat, leader of the PLO, examines Israeli explosives during a morale boosting tour of West Beirut yesterday.

Israelis stand guard over Beirut's lifelines

BEIRUT — Three Israeli soldiers with automatic rifles, sleeping bags and food cookers stood guard yesterday in the control room of the power station where a flick of the switch could restore electricity to west Beirut.

Soldiers were also seen in the control room of east Beirut's Karantina electricity distribution centre, which regulates the power flow to Palestinian-controlled west Beirut.

West Beirut, the last hold-out of Yasser Arafat and his Palestine Liberation Organisation, has been without electricity and running water since Sunday afternoon and running water since Monday.

Lebanon's Minister of Hydroelectric Resources, Mahmoud Ammar, said: "I want to confirm it was the Israelis and no one else who did this. They did it by force. We are telling the truth. If the Israelis say they have not shut down power, they are lying."

Mahmoud Ammar, a Shiite Moslem known for his anti-PLO views, said he had filed a complaint with the Lebanese foreign ministry, which he said was relaying it to the United Nations and to U.S. Presidential envoy Philip Habib, who is in Beirut as a key intermediary

Ammar and Musbah Natour, the electricity company's director general, said Israeli soldiers entered the Karantina power control station on Sunday and ordered Lebanese workers to throw the switches that blacked out west Beirut.

At the pumping station that controls the gravity-fuelled flow of water down the hill to west Beirut, Ammar said Israeli soldiers shut off the valves that channelled water to the Moslem half of the city. He said it happened on Monday afternoon.

"Israeli soldiers arrived at the Ashrafiyeh water station and forced their way into the pumps. They shut the valves and dismantled the wheel, then hauled the wheel away. It is like the key and the Israelis have it," Ammar said.

An Israeli military spokesman in Lebanon yesterday abandoned his previous denials that west Beirut had been blacked out.

Col Paul Kedar, an Israeli army spokesman, said his denial of Monday "no longer applies . . . we are in a fluid situation." But he refused to confirm that Israelis were responsible for the power cut.

A British Member of Parliament who spent Monday in East eBirut said Christians and Moslems whom he met there had criticised Israel for not invading the Lebanon "but for taking so long about it."

Mr Greville Janner, Labour MP for Leicester NW and president of the Board of Deputies of British Jews, also claimed that press reports of growing Israeli opposition to the war in Lebanon were exaggerated.

He said the departure of Mr Yasser Arafat from Beirut was "inevitable" and that it would be welcomed by the "vast majority of people" in Lebanon and Israel.

Australia splashes out on pools at home

By Michael Thompson-Noel in Sydney

FLY IN to Sydney's Mascot Airport and you descend over the vast chlorinated reaches of the city's western suburbs—chlorinated, because almost no major city in the world, other than Los Angeles, boasts so many swimming pools.

From the air, it seems that almost every garden in every crowded suburb hosts its own dinkum swimming pool, a testament to the fact that the Australian swimming pool market has escaped the full impact of the recession. It is not nearly as depressed as the Australian construction business generally, which has seen home-building approvals so far this year reach a seven-year low, and which is having to contend with the cost of the industry's newly introduced 38-hour week.

In the next 12 months, the construction industry is due to tackle projects worth more than A$13bn (£7.64bn), though according to the latest calculations, the additional cost of the 38-hour week could be as high as A$1.05bn annually. Also, the building trades unions have already indicated that they intend to press for a 36-hour week.

But swimming pool manufacturers will probably be cushioned from this as the main impact of shorter working hours is likely to be felt in the commercial construction field. In the housing sector, the effect is likely to be subdued, for most new homes are built by self-employed sub-contractors who do not adhere strictly to the building trades' award.

Certainly there is little real anguish in the swimming pool sector, though in Sydney this year, home-owners are likely to install about 4,500 pools, against 6,000 to 7,000 normally. The market is more buoyant in Melbourne, probably because house prices, and thus mortgages, are lower than in Sydney.

It is a crowded sector. The swimming pool section of the Sydney Yellow Pages covers several thousand enterprises engaged in pool excavation and design, construction, reconditioning, cleaning, maintenance and heating.

The market leader is Mutual Pools, which has subsidiaries in New South Wales and Victoria—Sydney and Melbourne being the two main markets. In the past 20 years, Mutual has installed more than 21,000 pools. At present, Mutual is building and installing a little under 100 pools a month.

The marketing is quintessentially Australian. The pools have names like Blue Lagoon, Mountain Lake, Boomerang and Billabong. The Billabong, for example, aims to re-create a bushland setting complete with man-made rocky outcrop and cascading waterfall, a patented concept developed by Mutual whose natural look and style, the company claims, "will be the appearance of swimming pools into the 21st century."

Mutual operates in the middle and upper market segments. Its prices range from A$7,500 to A$50,000 (£4,400 to £29,400), with an average of A$10,500. It employs 300 people, and is turning over A$12m a year in domestic swimming pools alone.

The pool makers are constantly improving their methods of construction, however, so that for around A$1,000, customers can now buy a fully automatic system that self-filters, self-heats, self-cleans and self-chlorinates—indeed, according to one industry official, it almost whistles "La Bohème."

Although the upward Australian interest rate spiral has slackened slightly, the recession in the home-building industry continues to show in official figures. The savings banks and building societies are calling for full deregulation of interest rates, as recommended by the Campbell Committee Inquiry into the Australian financial system.

In Sydney and elsewhere, housing developers have taken to offering sweeteners, such as low-cost bridging loans. Many of the new two-bedroom apartments being built within five miles of Sydney's central business district cost a minimum of A$120,000 with one-bedroom units starting at A$90,000. Even before the present rise in interest rates, an A$70,000 home loan was costing about A$815 (£480) a month.

For Mutual and its competitors, however, there is some comfort in the fact that residential property owners have made huge capital gains in the past four years.

As long as interest rates remain steady, or even show a fall, there could soon be a pick-up in home-building, and an even stronger splashing in the home pool sector. In normal times, pool builders can rely on a total Australian market of about 18,000 units annually, which is nearly a fifth as large as its U.S. counterpart.

Michael Holman in Luanda on the negotiators' groundwork

A charter for Namibia talks

PRACTICAL proposals to demonstrate the impartiality of the UN as supervisor of a ceasefire and elections in Namibia (South West Africa), and to finalise the number and composition of a UN military force in the territory, have been put forward by the five-nation Western contact group seeking to negotiate a settlement in the territory.

Informal talks were due to begin in New York yesterday to finalise details of the settlement process, on the basis of a document circulated by senior officials of the Western five — the U.S., Britain, France, Canada and West Germany — on a visit to southern Africa last month.

The three-page document is headed "summary of points presented by contact group mission, June 1982." It begins with an optimistic assessment of the prospects for the Namibia settlement negotiations now in their fifth year:

"*Opportunity for rapid completion of negotiations:* Recent meetings with the parties concerned have shown a will to move ahead rapidly on the negotiations for Namibian independence. The possibility exists for implementation of UN Security Council Resolution 435 to begin within a few months and elections to be held by March or April 1983.

"*Constitutional principles:* The contact group new believes that the constitutional principles, with the exception of the electoral system, can now be considered settled. The contact group will report to the UN Secretary General that the principles have been accepted, with the exception of the electoral system, which should be settled in accordance with the provisions of Resolution 435.

The previous proposal of a mixed electoral system will not be pursued further.

"*The UN Transitional Assistance Group (UNTAG):* Resolution 435 and the UN plan remain intact, including the authorised upper limit of 7,500 for the military component of UNTAG. The UN secretariat must be consulted and satisfied on all matters relating to UNTAG.

There is a need to resolve deployment levels. Success in working out satisfactory arrangements will depend on some adjustments being made in carrying out UNTAG's tasks.

The most important adjustment, on which concurrence is needed, is the concept of UNTAG monitoring of the restriction of armed Swapo personnel to base in Angola or Zambia, given that UNTAG will be monitoring the restriction of South African Defence Force (SADF) forces to base in Namibia.

Monitoring in Angola and Zambia would permit the elimination of the demilitarised zone (DMZ). The elimination of the DMZ would in turn permit some reductions in the size (and cost) of the operation, without impairing UNTAG's ability to perform its assigned functions.

There is merit in establishing, under the auspices of the UN special representative and the Untag military commander, a mechanism for liaison between the commanders of the various military forces to deal with reports of alleged ceasefire violations.

Impartiality: We believe the impartiality problem can be dealt with in the following manner:

- A Security Council reaffirmation of impartiality rather than a specific UN General Assembly resolution.
- An understanding between the five, Swapo, the Front Line states (in Southern Africa) and South Africa that UN activities which run contrary to Resolution 435 should not continue.
- Restriction of the number of speakers at the Security Council meeting held to authorise implementation of Resolution 435 and at the General Assembly session held to authorise the funding of Untag. This understanding should include the point that no participant in the elections should speak.

A valuable opportunity now exists to achieve a settlement which would resolve other long-standing problems of the region at present hindering the development of the climate of security and mutual confidence necessary for a Namibia settlement.

These issues do not fall under Resolution 435 nor are they part of the mandate of the five. But the governments of the five individually share the view that action on these problems would do much to advance and facilitate a settlement of Namibia within the time frame we envisage and would be worthwhile in itself in bringing peace and contributing to economic development in the area.

Next Steps: Agreement is needed on how to proceed rapidly to resolve the outstanding issues related to implementation of Resolution 435. This could be done by the five presenting detailed papers on the above issues.

Alternatively, if there is agreement in principle on the ideas proposed above, there could be talks in New York, or another agreed place, among representatives of the parties concerned and the UN Secretariat designed to reach final *Conclusion:* Speedy informal reactions would be most helpful in maintaining the momentum.

Particularly important are:

- Concurrence in principle with the concept of monitoring of Swapo bases in Angola and Zambia.
- Your reaction to our ideas on how to follow up these consultations quickly in order to resolve the outstanding questions related to implementation of Resolution 435."

Since the document was circulated, it is understood that Swapo, Angola and Zambia have agreed to the Western proposals for monitoring Swapo guerrilla bases in those countries.

Mr Hidipo Hamutenya, Swapo's Secretary for Information attending the New York talks, also confirmed that the impartiality formula is acceptable while South Africa is no longer insisting on repeal of the UN General Assembly resolution which recognises Swapo as "sole authentic representative" of the people of Namibia.

He also said that South Africa had dropped its demand that the Western contact group should provide the Untag troops. For its part, Swapo wants to exclude both contact group and front-line states' personnel from the military contingent, so they can provide "diplomatic and political backstopping."

AMERICAN NEWS

Argentina devalues peso by 21% in reflation package

BY JIMMY BURNS IN BUENOS AIRES

ARGENTINA YESTEDAY an*nounced a 21 per cent devalua*tion of its currency, the peso, as part of a package of measures aimed at reactivating a crisis torn-economy, and soothing political and social pressures.

Initial reaction from the opposition parties remained muted as the Economy Ministry held back from immediately detailing salary increases. Across the board increases of over 20 per cent have been widely predicted.

A two-tier exchange rate policy dropped by the former government of Gen Leopoldo Galtieri last December, has been resurrected. Commercial rate, used for physical trade transactions and therefore of great importance to Argentine business was officially pegged at 20,000 pesos to the dollar, compared with last Friday's closing quotation of 15,750 pesos.

On Monday, banks and exchange houses were temporarily closed in anticipation of the move. They reopened yesterday in an atmosphere of considerable confusion, given the initial absence of an official quotation for the financial rate which applies to small investors and tourism.

Exchange houses received phone calls from the Central Bank telling them that the financial rate could be set at about 25,000 pesos to the dollar.

However by yesterday afternoon, they were holding back from full trading, as they waited for official confirmation that the current ban on the buying of dollars had been lifted.

Government hesitation in lifting exchange controls stems from fears of panic-buying of dollars in expectation of a steep rise in inflation, which it is thought could be as high as 400 per cent by the end of the year.

The Central Bank also wants to avoid intervening in the markets at a time when its reserves are dangerously low. *Previewing the new measures*, in a nationwide broadcast on Monday night, Sr Jose Maria Dagino Pastore described Argentina's current economic crisis as a "national emergency."

In what amounted to a significant distancing from previous administrations, Sr Pastore blamed free-market policies for the bankruptcy of industry and rising unemployment.

Much as expected the new measures include a refinancing scheme for domestic industry, a lowering of interest rates and a lengthening of terms of bank deposits.

● Signs that Argentina may be adopting a more pragmatic approach to foreign policy, in spite of previous threats that the Falklands war might force it to break with the West, emerged yesterday.

In a letter to President Ronald Reagan, the new Argentine leader Gen Rinaldo Bignone said that a normalisation of relations with the U.S. was a "desirable objective," and asked Washington to lift its sanctions against Buenos Aires.

On Monday, the new Foreign Minister, Sr Juan Ramon Aguirre Lanari, said he considered a "de facto cessation of hostilities" in the South Atlantic had been achieved.

Caracas seeks settlement

BY KIM FUAD IN CARACAS

DR LUIS HERRERA CAMPINS, Venezuelan President, will name a national commission this week to advise the Government on the forthcoming negotiations with Guayan on Venezuela's claims to two-thirds of Guyanese territory.

During a Venezuelan independence day address yesterday, Dr Herrera said his Government would seek a negotiated settlement of the claims which date back to the 19th century.

Dr Herrera also defended his foreign policy and indicated that Venezuela was seriously contemplating joining the movement of non-aligned nations as an active member. It has observer status at the moment.

More jobs in services than U.S. industry

By Anatole Kaletsky in Washington

EMPLOYMENT in service industries rose above employment in production in April this year for the first time in U.S. economic history, according to statistics published by the Labour Department.

Finance, insurance, real estate and service industries employed 24.3m people in April, compared with 24.0m in manufacturing, mining and construction.

Other sectors, including wholesale and retail trade, utilities, transport and government, employed 41.6m.

Despite the recession, which has caused steep falls in manufacturing and construction employment, many consumer and service industries have continued to increase their workforces throughout the past year.

Health care has produced the biggest growth in job opportunities for most of the past 10 years. Between April last year and April this year, health care employment increased by 235,000 (4.3 per cent) to 5.7m.

Other smaller service industries have grown even more rapidly in percentage terms. Legal services increased by 32,700 (5.8 per cent) to 552,000 and accounting rose by 19,000 (5.4 per cent) to 358,000 in the year to April.

General business services and finance experienced much slower growth rates of 1.5 per cent and 0.8 per cent respectively.

Production industries have declined rapidly while the service industries have expanded. Over the year to April, manufacturing employment fell by 1.1m (5.5 per cent) and construction was down by 387,000 (9.2 per cent).

The Bureau of Labour Statistics said that while the sharp declines were due to the recession, the general trend to labour saving investment in manufacturing would ensure that the relative decline in productive employment continues after the recession.

William Chislett examines the plight of a poor Central American democracy

Crucial year for desperate Honduras

THE economic plight of Honduras, the poorest democracy in the Western hemisphere, is now so desperate that the millions of boxes of bananas shipped abroad by the Central American republic no longer provide the income to meet the country's external debt payments.

Last year, bananas, the country's main export, earned \$215m (£124m)—one-quarter of total exports—interest and principal payments on the \$1.4bn debt were \$220m. This year, thanks to low world commodity prices and high international interest rates, the gap will be much wider.

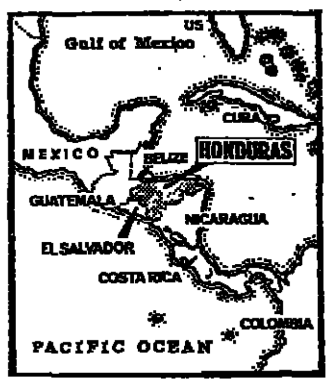
The new Centrist government of President Robert Suazo Cordova, the first freely elected civilian government in 10 years, took office in January. Since then, it has embarked on a delicate path of cutting public expenditure, raising prices and pushing the economy deeper into recession in the hope of preventing economic collapse. Last month Honduras negotiated an 18 months' standby credit with the International Monetary Fund for up to \$150m. It is possible that the debt will have to be rescheduled.

The stakes of pursing monetarist policies in Honduras are high. The country has an annual per capita income of \$565, the lowest after Haiti. It is bordered by El Salvador and Guatemala, two countries experiencing violent revolution, and by Nicaragua, where the revolutionaries are in power.

Honduras is the eye of the political hurricane sweeping through Central America and, like the eye of a hurricane, the country is at present remarkably calm. There are fears, however, that the Government's economic policy could erode social peace: Government advisers admit this is a crucial year.

Zero growth meant last year's per capita income fell by 3 per cent. The sight of children sleeping curled up in doorways in Tegucigalpa is increasingly common. "It is like watching a Greek tragedy," said an international economist.

The Government, however, has no option but to tighten the country's belt. Low world prices for its commodity exports, the crushing burden of high oil prices and high international interest rates, large outflows of capital, estimated at \$200m over the past 12 months, and reduced inflows, particularly by commercial banks nervously watching the country,



have combined to empty the coffers.

The lempira, the Honduran currency, which has traded at two to the dollar for the past 50 years, has been effectively devalued by 25 per cent on the emerging black market where it is trading at 2.50 to the dollar.

U.S. aid to Honduras this year is \$48m, only \$700,000 *more than 1981. Military assist*ance is \$10.6m, an increase of \$1.5m. In addition, Honduras will receive \$35m under the U.S.'s Caribbean Basin development programme (CBI) whereas El Salvador is scheduled for \$128m under the CBI.

The outgoing military government asked Washington for \$100m in aid this year. But, shortly before taking office, the new Government was told by the U.S. embassy in Honduras, which prepared a draft economic programme for the Government, that "any special economic assistance would be in the context of the CBI and would be oriented towards augmenting credit available to the private sector, not budgetary support."

Ten years of military rule have also increased ill-afforded defence spending. The 15,000-strong armed forces are back in their barracks, but one-fifth of the budget still goes on defence.

The fiscal deficit is the central problem. Last year's current account deficit of \$285m was 10.5 per cent of \$2.7bn gross domestic product.

The embassy document, which has served as the basis for the Government's own pro*gramme, recommended a strong* dose of what has been termed "Reaganomics for the Third World."

Measures include the divestiture of non-productive state enterprises such as Conadi, the industrial development corporation which over-extended itself building up cement and other industries.

There is little domestic unrest in Honduras at the moment, although the unions are becoming restless as unemployment grows and the peasants are frustrated at the slowing down of the land reform programme.

The guerrilla groups in Honduras are tiny, with a limited following. However, the involvement of Honduran troops in support of the U.S.-backed army in El Salvador fighting left-wing guerrillas prompted a bomb attack late Sunday night on two power plants which affected Tegucigalpa. Sixteen people were killed in the attack, which brought the city to a halt for 12 hours and caused an estimated \$20m-worth of damage.

The group, calling itself Froylan Turcios — after a Honduran left-wing writer of the early 20th century—claimed responsibility and said it was a protest against the Honduran army's involvement in El Salvador's civil war. Residents of Tegucigalpa said it was the fault of the Salvadorean guerrillas. A store owner, busy selling thousands of candles, said "Honduras is not to blame for what is happening in El Salvador."

Nuclear accident risks 'higher than first thought'

BY CHRIS SHERWELL IN WASHINGTON

THE Nuclear Regulatory Commission, the official agency overseeing nuclear safety in the U.S., has sharply reassessed the risks of a serious accident at nuclear plants in the country.

A commission study just released analysed 19,400 mishaps between 1969-1979. It picked out 169 for detailed review and found that 52 were "significant" — that is, potential contributors to a melt down of the nuclear core of *the plant*.

The study concluded that the likelihood of a major accident was one in a thousand years of reactor operation. The country acquires a thousand years of reactor operation experience every 10 to 20 years, according to estimates.

Previous assessments, notably the Rasmussen report, have put the chances at about one in 20,000 years of operations, arguing that accidents resulting in core damage would require a series of failures in sequence.

The latest assessment may already be out of date, however, because changes made in nuclear reactor operations since the Three Mile Island accident in March, 1979 are thought by the commission to have reduced the chances of a serious accident.

The commission's own target *safety level is one in 10,000* years of operation.

Accidents studied by the commission typically involved: loss of the feedwater which is turned into steam to generate electricity; loss of reactor coolant, leading to overheating; breaks in the main steam line; and loss of electricity from outside the nuclear site at shutdown times, depriving safety systems of power.

De la Madrid polls 74% of votes cast

By Ronald Buchanan in Mexico City

Sr Miguel de la Madrir of Mexico's ruling Partido Revolucionario Institucional (PRI) so far has 74 per cent of the votes cast in Sunday's presidential elections. Some 73 per cent of the votes have been counted.

As a result, he is likely to become the first PRI presidential candidate to be elected with less than 80 per cent of the vote. However, Sr de la Madrid did face a record six opposition candidates.

It is estimated that 76 per cent of the 31.5m electorate turned out, compared with 50 per cent at mid-term elections in 1979.

Sr Pablo Emilio Madero, of the right-wing Partido Accion Nacional (PAN) is assured of second place with 14 per cent of the votes cast.

Effectiveness of Maverick missile questioned

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

A CONGRESSIONAL watchdog agency has raised major question marks over the \$5bn (£2.9bn) advanced Maverick air-to-ground missile programme.

In a report designed to check the effectiveness of Pentagon weapons testing, the General Accounting Office (GAO) says there is no evidence the missile "can be used effectively by U.S. military personnel in combat".

Deficiencies

The GAO says delivery of the missile to the air force should be held back until deficiencies have been corrected. In particular, it questions the Maverick's ability to fulfil its tank-killing mission at night and in adverse weather.

The Pentagon is to decide next month whether to purchase 200 of the missiles from Hughes Aircraft as a possible first step towards buying a total of 61,000 to replace the original, daytime only version. The GAO says more tests should be carried out even before the first 200 are ordered.

The report says that even under very favourable testing conditions the missile had only "limited success". It questioned whether in actual combat pilots could distinguish a friendly from a hostile tank at the "stand-off" range from which the missile is meant to be fired.

The report says that tests so far have not proved that the missile cannot be deceived and defeated by objects such as sun-warmed rocks, burning battlefield wreckage or deliberate countermeasures, such as the firing of a tank cannon.

WORLD TRADE NEWS

TOKYO'S TELECOMMUNICATIONS PROCUREMENT PROGRAMME

U.S. groups vie for Japanese state deals

BY CHARLES SMITH, FAR EAST EDITOR IN TOKYO

MOTOROLA and American Telephone and Telegraph International (ATTI) have become the first two foreign electronics companies to seek participation in Japan's recently liberalised telecommunications equipment procurement programme.

Motorola has been short-listed as one of five companies from which Nippon Telegraph and Telephone—the state telecommunications concern—may decide to buy mobile telephone equipment under what is known as Track III A of the NTT procurement system ATTI is a candidate for joint development with NTT of an echo canceller.

NTT expects to decide within the next few weeks whether to accept the ATTI application but will not be in a position to award contracts for mobile telephone equipment until the *spring of next year.*

It says that Motorola and ATTI are the only two foreign companies that have submitted firm applications under tracks II and III of the procurement system since the system was liberalised at the beginning of 1981.

Until the end of 1980, NTT had purchased almost no foreign equipment, despite the fact that it spends some Y 800bn (£1.8mn) per year on procurement. The liberalised procurement system introduced early last year provides for three different purchasing procedures, known as Tracks I, II and III.

Items covered by Track I procedure include equipment not directly related to telecommunications such as facsimile machines, data terminal equipment, measuring instruments. These are now being purchased *through a system of open ten*der. NTT says it has purchased about Y4.7bn worth of Track I equipment from a total of 49 foreign companies over the last year. The total annual value of its Track I purchases is around Y800bn.

Items bought under Tracks II and III are directly related to telecommunications and—in the case of Track III—have to be developed to meet NTT specifications. NTT says that the receipt of only two firm applications from foreign companies for participation in Tracks II and III may reflect a lack of understanding of the Japanese approach to "joint development."

When NTT needs to buy telecommunications equipment that is not readily available on the market it nominates at least *two companies as participants in* a joint development programme over which the corporation's own technical specialists exercise final control. Foreign companies have been wary of entering such programmes, NTT says, because of a reluctance to share their technical secrets.

After realising that foreign companies were reacting cautiously to its Track III procurement programme NTT sent a mission to the U.S. in March 1982 to explain how the system worked. It was after this, the corporation says, that ATTI applied to participate in the Track III programme for echo-cancelling equipment.

The first published information on NTT's Track II and III requirements was made available last August — in Japanese — and the relevant *documents were bought by 170* companies of which 131 were foreign. This year the equivalent documents will be published in English, but foreign companies wishing to participate in any of the programmes will be required to submit applications in Japanese. A number of foreign companies, including ITT, GTE, Mitel and Lorm have already qualified to take part in bidding for PBX digital systems—under Track I—in the autumn.

Although it admits that only "modest" progress has been made to date in implementing the new liberalised procurement procedures, NTT says that foreign participation in the programme should grow steadily. The corporation also claims that its efforts have yet to be matched by any major Western telecommunications entity.

S. Korea quits Brussels textile talks

By Giles Merritt in Brussels

DEADLOCK in the key negotiations on EEC textiles imports under the Multifibre Arrangement (MFA) has resulted in a decision by South Korea to quit the Brussels negotiating table.

The adjournment by the Seoul Government of the talks *until this autumn is the sixth* such move by a major MRA signatory in recent weeks and is a further setback to the European Commission's chances of securing a series of restrictive textile import deals for the period up until 1986.

The departure of the South Korean negotiating team comes *hard on the heels of the* recent announcement by the Philippines that it is temporarily shelving its bilateral MFA discussions with the Brussels Commission.

It also follows decisions by India, Hong Kong, Malaysia and Singapore to opt for "second round" negotiations with Brussels in September, by which time it is hoped that the EEC hardline position on its MFA terms will have softened.

In addition to the withdrawals by those six countries' delegations, Hungary, Czechoslovakia and Romania have also recalled their negotiators recently for a variety of reasons and will be seeking further talks on their MFA terms. European Commission officials say, however, that although the EEC has met determined opposition to its textiles position, a number of MFA pacts are also being concluded.

Pakistan and Sri Lanka have provisionally accepted the EEC's demands for anti-surge, basket extractor and anti-*fraud mechanisms in bilateral* pacts under MFA III, as have Uruguay and Peru, with Poland expected to initial its acceptance shortly. By September of this year the Brussels negotiators expect some 7 to 10 such deals to have been struck.

The EEC officials were also making it plain that even *though its talks with the MFA* "hardliners" have so far resulted in deadlock with six principal textile exporting nations, there is no question of seeking a new and less restrictive ...

High cost fleets 'will lose more ground to low-wage operators'

BY ANDREW FISHER, SHIPPING CORRESPONDENT

THE HIGH-COST fleets of northern Europe will increasingly lose ground in the world's dry cargo markets to low-wage operators such as those in the Far East, Drewry Shipping Consultants forecast yesterday.

"Northern European and even Greek shipowners will find it more difficult to run profitable shipping operations," London-based Drewry said in a major study of how inflation has affected the international dry cargo business.

Drewry said the 1970s had exposed the traditional shipping nations to new and acute inflationary pressures and growing competition from *emergent shipping regions.*

The gap between the high-cost flags of Britain, Norway and Sweden and the low cost nations of the Far East was widening steadily, especially in terms of manning costs, it added.

Since 1973, manning costs had more than doubled. By the end of last year, average manning costs for a typical European dry cargo vessel were \$2,600 (£1,444) a day. For a similar ship with an Asian crew, the average was some 40 per cent less at \$1,600 or so a day.

Drewry reckoned that the need to cut costs and secure access to overseas markets and cargo producing areas would further erode the north European presence in bulk shipping markets.

"Demand for dry bulk tonnage is likely to grow more sluggishly and at a lower average wage, meaning that the low-wage countries of the Far East will play an increasingly dominant role in the bulk trades."

Drewry's comments come as rates for grain, coal, iron-ore and other dry cargoes have slumped sharply with no immediate prospect of an upturn.

The northern European dry bulk fleet has come down by around 29 per cent since 1976 to 31.8m dwt and could drop another 10 per cent in the rest of the 1980s, said Mr Dennis Stonebridge, a Drewry director.

Since 1976, he said, Britain's merchant fleet had fallen by 25 per cent, Sweden's by as much as 54 per cent, the Netherland's by 42 per cent, Norway's by 23 per cent, and West Germany's by 17 per cent.

Whereas a 25,000 dwt bulk carrier built in the late 1970s needed to earn around \$13 a ton per month to break even, the current rates were only around \$6.

He forecast a lot more bankruptcies in shipping, especially in the dry bulk sector. Worsening the rate slump was the fact that a large volume of ships ordered in better times was now coming on to the market.

The Impact of Inflationary Costs Tendencies on Dry Cargo Shipping Operations; Drewry Shipping Consultants. Price £95.

Hong Kong rail contracts won by Aoki

TOKYO — Aoki Construction of Japan said the Hong Kong Mass Transit Railway Corp (MTRC) has awarded construction contracts worth a total of Y28bn (£63m) to the Japanese concern for work on its new subway line on Hong Kong island.

The orders concern the construction of the Pak Sha Wan station, rail car depots, and *transformers, and will be* part of the Y280bn third phase of the MTRC's subway project, it said.

The contracts bring total construction orders to Japanese companies from the MTRC to Y180bn or about 65 per cent of the third phase plans.

Reuter.

Algerian gas dispute taken to arbitration

BY FRANCIS GHILES

TRUNKLINE LNG and the Panhandle Eastern Pipeline company, subsidiaries of the U.S. utility, Panhandle Eastern, have decided to resort to international arbitration in a bid to resolve a dispute with Sonatrack, the Algerian state oil and gas monopoly.

They have filed documents with the arbitration court of International Chamber of Commerce in Paris in an attempt *to force Sonatrach to honour* a liquefied natural gas (LNG) contract signed in 1975 and approved in 1977 by the Algerian Government and the U.S. Federal Energy Regulatory Commission. The contract was for the delivery, over 20 years, of an annual volume of 165m cu m of gas.

The start up date for deliveries was to have been last August but Sonatrach has claimed the delay was due to *"mechanical problems."*

Had the delivery of LNG started last August, Panhandle would have paid Sonatrach a price of \$4.12 fob per million British Thermal Units (BTU). This price would have declined to \$3.92 per million BTU after July 1, 1982, as the escalation clauses in the contract tie the price of gas, to some extent, to that of crude.

This is the first time a dispute between Sonatrach and a foreign buyer of gas is going to international arbitration. Sixteen months ago talks between Sonatrach and El Paso Gas of the U.S. collapsed because of differences over price. Earlier this year, however, Sonatrach and France signed one of the world's largest LNG contracts, for the supply of 9.15bn cubic metres of gas a year from Algeria.

The Algerians are in the middle of difficult negotiations with the Italians over the supply of 12bn cubic metres of gas a year to be supplies through the recently completed Trans-Mediterranean pipeline

SONATRACH'S LNG SALES CONTRACTS JULY 1982

Importer	Start up	Volume (bn cu m)
Gaz de France	1965	9.15
Gaz de France	1972	9.15
Gaz de France	1982	9.15
Enagas (Spain)	1976	2.6*
Distrigas (U.S.)	1978	1.3
Trunkline (U.S.)	1981	4.8
Distrigasz (Belgium)	1982	2.5†
ENI	1982	12.0‡

* Estimate. † Due to start this autumn. ‡ Due to start this autumn *pending agreement.*

Spain in move to make Libya pay debts of about \$130m

BY ROBERT GRAHAM IN MADRID

PART OF Spain's trade payments to Libya have been temporarily withheld, to bring pressure on the Libyan auth*orities for debts in some cases* dating back more than a year.

The total amount involved is understood to be nearly \$130m (£77m).

Trade payments between Spain and Libya are settled on a quarterly basis via reciprocal payments from the respective central banks.

The second-quarter settle*ment should have occurred on* June 30 but the Libyans have delayed giving any authorisation for payments.

The Spanish Ministry of Commerce has decided to hold back part of their own payments to put pressure on the Libyans over a series of export items. The Ministry is particularly concerned about payment *for canned goods and textiles*, which it says is causing hardship to a number of small companies.

In February, an official Spanish delegation went to Tripoli and the Libyans promised to pay outstanding debts within 30 days. This led to the settlement of some \$60m-worth.

Of the current outstanding *Libyan debt to Spain, some* \$100m is said to concern goods supplied and a further \$30m construction work. For their part, the Libyans have almost \$230m owed them by Spain, essentially for crude supplies. It is this latter element which has remained unpaid by the Spanish.

Reuter reports from Brussels: *The European Investment Bank* (EIB) will loan Spain \$40m over 15 years at 12.55 per cent for construction of a railway loop-line around Barcelona, the European Community said

French aerospace boost

BY TERRY DODSWORTH IN PARIS

THE FRENCH aerospace industry is expected to show a substantial increase in its 1981 trade surplus following an increase in exports last year of 32 per cent.

While a detailed breakdown of the trade balance is not yet available, the Groupement des Industries Francaises Aeronautiques et Spatiales (Gifas), the industry trade body, has published figures showing a 25 per cent increase in turnover to FFr 44bn (£3.9bn). Of this FFr 27bn went to export markets, while overseas orders also rose by 30 per cent to reach FFr 35bn.

the industry was due last year to a broad range of *products.* About 65 per cent of exports, according to preliminary estimates, were for military products. These include the Dassault range of strike aircraft, and a number of different missile systems made both by Aerospatiale, the nationalised group, and by Matra, in which the Government has recently taken a *controlling stake.*

On the civil equipment side, French companies registered strong exports with the Airbus airliner, which is assembled by ... made

UK NEWS

Group formed for nuclear waste treatment

BY DAVID FISHLOCK, SCIENCE EDITOR

THREE COMPANIES with experience in handling radio-active and toxic materials, led by Northern Engineering Industries, are pooling resources to provide radio-active waste treatment services and equipment for the UK.

Their joint venture, NEI Waste Technologies, of Gateshead, is a commercial response to the Government's stated aim of involving private industry more in radio-active waste (radwaste) processing in Britain.

NEI's partners in the venture are Chem Nuclear Systems, of Seattle (35 per cent) and Pollution Prevention Consultants of Crawley, Sussex (10 per cent).

Mr John Bennett, director of NEI Waste Technologies and a former nuclear reactor designer, says the company will specialise in retrieving and treating low- and medium-activity radwaste.

It is looking especially to the experience of Chem Nuclear Systems, which operates on a "cradle-to-grave" basis the U.S. Government's Barnwell waste disposal site in South Carolina, and a similar newer facility in Taiwan.

"We hope to utilise Chem Nuclear's experience and proven designs," Mr Bennett said yesterday. These include an electro-chemical process for decontaminating active components.

The joint venture is already discussing new facilities and services required by the Central Electricity Generating Board at its nuclear stations.

The Department of the Environment, responsible for the safe disposal of radwaste in Britain, expects to order several large facilities for disposal in the 1980s.

Over a quarter of the department's research and development budget is being spent on radio-active waste management. Last year it spent almost £10m of a total R and D budget of £36m. Only building and construction received more R and D funds, 29 per cent of the budget.

British Nuclear Fuels received a two-year contract worth over £2m from the department for research on vitrifying high-level radwaste from the reprocessing of spent nuclear fuel. NEI supplies the sealed stainless steel storage vessels used to store highly radioactive liquid.

The Environment Department has just published a detailed inventory of the radwaste expected to accumulate in Britain by the year 2000, on the basis of a nuclear power capacity expanding to 20,000 Mw by that year.

The estimates, published in Nuclear Energy, assume that all new reactors ordered will be of the pressurised water (PWR) type, and that the last of the Magnox reactors will be shut down in 1997.

They also assume that the reprocessing of Magnox fuel will continue at the present rate of about 1,300 tonnes per year until the late 1990s, and that the reprocessing of oxide fuel will begin in 1990 and build up to 600 tonnes per year.

The largest single item is a total of 400,000 cubic metres of low-activity solid wastes from nuclear fuel fabrication and reprocessing, to be disposed by burial or by sea dumping.

This type of waste will be accumulating at the rate of 20,000 cubic metres per year in the 1990s.

The UK Atomic Energy Authority, the Government's agent for the annual Atlantic sea dump of low-activity radwaste, last week obtained a High Court injunction against Greenpeace, the environmentalist pressure group, to prevent interference with this year's sea dump, later this month.

Highly radio-active liquids from reprocessing will total 1,090 cubic metres by the year 2000, and will be increasing at the rate of about 200 cubic metres a year.

Amersham International, which produces radio-active medical and research products, is a substantial producer of low-level radwaste, of a type it is planned to bury at a depth of 20-30 metres, in an underground storage facility required by the late-1980s.

By the year 2000, Amersham is expected to be producing 10,000 cubic metres a year of miscellaneous solid wastes of this kind.

Environment Department scientists estimate that Britain will need three underground storage facilities for radwaste in the next decade. Most urgently needed is an "engineered trench," 20-30 metres deep, for low-level waste.

The others will be a modified mine or purpose-built cavity about 100 metres deep, and a purpose-built repository about 300 metres deep.

Vitrification plant approved

By David Fishlock, Science Editor

BRITISH NUCLEAR FUELS (BNFL) has been given planning permission to build a £150m chemical processing plant to convert highly radio-active effluent into glass ingots at its Sellafield (Windscale) factory in Cumbria.

But Copeland Council has made the condition that BNFL should exercise the option in contracts for the reprocessing of spent fuel for other countries, and return the vitrified effluent as soon as practicable.

The ingots of glass would be returned to the country of origin—principally Japan, with which it has the biggest reprocessing contracts — in the casks in which spent fuel is imported by sea.

Supporting the planning application, Councillor James Johnson said the glass ingots might have to be stored in Cumbria for 50 years before being disposed of.

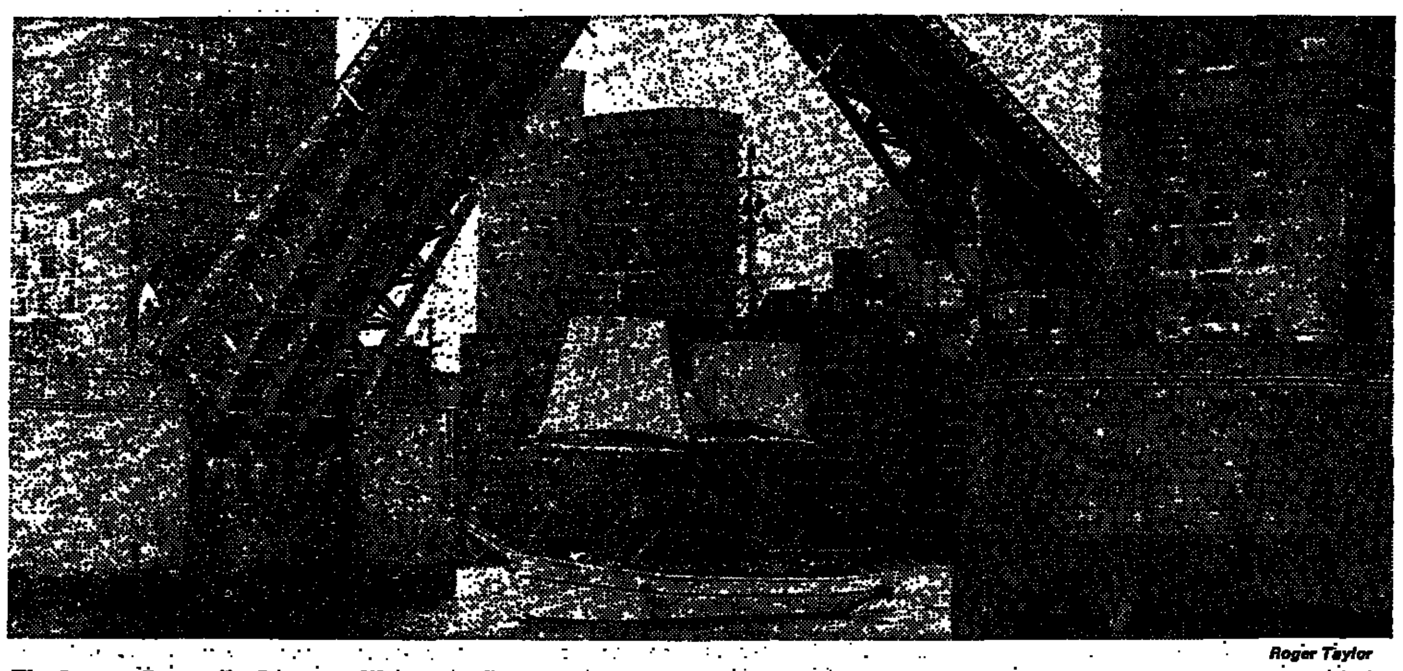
The Government has recently accepted scientific advice that the glass ingots will be easier to manage in their final repository if they are first allowed to "cool" radioactively for 50 to 100 years.

BNFL is building its vitrification plant close to its facilities for storing highly radio active reprocessing effluent in a battery of sealed stainless steel tanks.

The plan will come at the end of Thorp, the thermal oxide reprocessing plant, an £860m chemical facility for which planning permission was given by the Government following a public inquiry in 1977.

Thorp is expected to be commissioned in the late 1980s. The vitrification plant is expected to come on-stream just ahead of Thorp.

It will be based on French technology used for several years at the Marcoule establishment of the French Atomic Energy Commission and available freely to BNFL under its partnership in United Reprocessors, the UK-French-German company.



Roger Taylor

The barque Inca sails down the Thames as London's Tower Bridge opens at the start yesterday of the ten-week Round Britain Clipper Challenge race against the brig Marques. The two ships, owned by the China Clipper Society, will each be crewed by five different teams of youngsters.

Car output hits lowest level since 1950s

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

CAR PRODUCTION in the first six months this year was nearly 2 per cent below that for the same period last year and dropped back to a low level not seen since the late 1950s.

Output was particularly hit in June, a month when the manufacturers are normally building up production to meet heavy demand in the peak sales period of August and September.

According to Department of Industry provisional estimates, in June this year car output was only 79,000, compared with 100,000 in the same month of 1981.

The month was relatively free of industrial troubles. The only reported dispute was at Ford's Halewood plant, where two days of trouble cost 1,500 Escorts.

As a result, production for the first six months was only 482,000 or 1.8 per cent below the 491,000 for the January-June period of 1981.

In contrast, commercial vehicle output picked up by 17.4 per cent during the six-months. But this was from the worst level since records were first kept in the current form.

Commercial vehicle production in June was 23,500, compared with 22,000 in June last year. For the first six months this year the total was 137,100, against 116,800 for the first half of 1981.

BL's market share up to more than 30%

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

BL's SHARE of the new-car market shot up to more than 30 per cent in the last two days of June. In the first six months of the year the group's penetration was about 18 per cent only.

The group believes the rise in sales was mainly due to its promotional campaign. Move over to Austin Rover, launched at the start of the month.

BL says the campaign runs until the end of August and market share should continue at a relatively high level till then.

The heavy promotional spending is linked with a financial incentive scheme for dealers. This gives at least £100 extra on each car sold and up to £700 on the last of the 1981 Rovers, Allegros, TR7s and Maxis, to be found though they have gone out of production.

Through June, July and August dealers can win on average an extra £400 a car by reaching agreed sales objectives.

There are indications that some dealers passed on all that extra discount to customers, to win sales at the end of last month.

The Metro responded well to the campaign. It apparently took sales away in particular from Ford's Fiesta. A Ford dealer said yesterday he could still sell Fiestas if the Metro price was £100 below the Fiesta but had no chance to compete with a £400 differential.

BL started June badly. The sales surge became apparent only in the last six days of the month, in which its penetration stayed above 20 per cent. It rose to 34 per cent on the penultimate day and to 31 per cent on the last day.

Buoyant home market forecast by Nationwide

By William Cochrane

THE NEXT six months should see a much more buoyant housing market, higher house prices and a further reduction in mortgage rates, the Nationwide Building Society said yesterday.

Nationwide, Britain's third largest building society, bases its optimism for the market on a 45 per cent increase in total housing starts in the 12 months to the end of April.

On prices, the society's last bulletin estimates an average UK increase of 3 per cent in the second quarter of 1982, following a rise of only 1 per cent in the first quarter and a depressed second half of 1981.

On mortgage rates, Mr Cyril English, Nationwide's chief general manager, said in London yesterday that in the absence of definite information on the movement of bank base rates, it was unlikely that this week's meeting of building societies would decide on a cut.

Given that the Government could be seen to be tackling inflation successfully, however, he could see a decision being taken early in August for implementation on September 1.

Mr English also confirmed earlier indications that building societies are not visibly suffering from the incursion of the clearing banks into mortgage lending.

Nationwide reports record gross receipts of £1.39bn and record net receipts of £416m for the first six months of 1982, while loans approved rose sharply from £565m to £725m.

"There is no shortage of demand for home loans as far as Nationwide is concerned," said Mr English. "And certainly for the immediate future we see little prospect of any lessening in demand."

The withdrawal of the 23rd issue of National Savings Certificates and the Government's lower savings target for the current fiscal year had provided some welcome relief for building societies.

Banks, too, were generally not competitive on personal savings for the sort of money which building societies sought to attract. The main feature at present was the high level of competition among building societies for investment funds.

Mr English acknowledged that much of the money societies are receiving is being attracted into accounts where differential interest is paid above the prevailing ordinary share rate.

"It would appear that the time has come for building societies to reduce the present top differential of over 2 per cent on term money," he said. "Here at Nationwide we shall be lowering the differential on capital bonds to 1½ per cent above the ordinary share rate on all new capital bonds opened after July 31."

City group supports Gower view

By John Moore, City Correspondent

A GROUP of City professionals, politicians and investors has welcomed the main conclusions of a controversial review of investor protection prepared by Prof Jim Gower.

The Wider Share Ownership Council differs from the mainstream of City Opinion on the Gower report, commissioned by the Department of Trade after a series of failures of investment companies. The council agrees with most of the conclusions reached in the report.

The only reservation the council notes in its submission is the implication that greater emphasis should be laid on competence as opposed to honesty. "The problem here is the measure of competence (whether in advance or in retrospect)" says the council.

It finds Prof Gower's suggestion that supervision of the investment community should be undertaken by self-regulatory agencies, within the Government exercising a residual and supervisory role, "eminently reasonable."

The council says: "The uncontested success of a regulatory method of this kind in the unit trust industry is perhaps the best example which can be cited in support."

The council lays particular stress on the aims of developing the scrutiny exercised "with an enviable history of success" by the Panel on Takeovers and Mergers.

The council expresses concern about the adequacy of protection for investors in these situations, where the interests of shareholders in companies making or accepting a bid do not sometimes receive adequate consideration.

The Council for the Securities Industry, the City's main regulatory body, is "now the obvious body to play a leading role in any system such as that proposed by Prof Gower," says the Wider Share Ownership Council.

Commission attacks inadequate action against racial bias

BY LISA WOOD

THE COMMISSION for Racial Equality yesterday described as "disappointingly inadequate" the responses of the Government, employers, trades unions and local authorities to problems of racial disadvantage.

The commission, which itself was severely criticised last year by a Common's Select Committee, said that reports by Lord Scarman on the Brixton riots, and an earlier report by a Commons Home Affairs committee had constituted "an action programme of major significance."

The commission's fifth annual report continued: "The nation was thus presented with a unique opportunity for faster progress in rejuvenating inner-city areas, eliminating racial discrimination and disadvantage, and improving race relations.

"So far the response by the Government and others has been disappointingly inadequate. It lacks the sense of urgency that ran through Lord Scarman's report in particular."

The report agreed that it was more difficult in a time of recession, but it was at such times that the vulnerable sections of society suffered most and, "even steps that require only a comparatively modest outlay are not being taken by Government."

The Government could have given a stronger lead on the CRE's Draft Code of Practice for employers which was submitted at the end of 1981 but still awaited a Government decision, the report complained.

Nor had the Government taken action on monitoring the equal opportunity clause in its contracts, as had been done in the U.S., although it was carrying out an experiment in monitoring employees in non-industrial grades of the Civil Service.

"We are firmly convinced," said the CRE, "that unless monitoring is undertaken in housing and other areas as well as employment, there can be no real possibility of eliminating discrimination."

Positive Government moves, however, included the appointment of Sir George Young as Minister with special responsibility for race relations aspects of the work of the Department of the Environment and changes in administrative arrangements for special Government grants for Commonwealth immigrants.

The commission quoted other recommendations made by the Home Affairs Committee in its report last year on racial disadvantage on which no action had been taken. "In particular, we would again urge the Government to give the Home Office a bigger co-ordinating role," said the report.

Mr David Lane, chairman of the Commission for Racial Equality, who retires next month, said other proposals made by Lord Scarman had been "watered down" after opposition by the police.

The CRE grew out of the old Community Relations Commission, which promoted racial harmony, and the Race Relations Board, which enforced anti-discrimination laws. Mr Lane defended the continuation of the dual role in one organisation.

Burroughs to sue health authority in computer row

BY JASON CRISP

BURROUGHS, the U.S. computer company, is to sue the Oxfordshire Regional Health Authority for damages after it opted to buy an ICL computer, even though the American company was placed first on both price and technical ability.

Earlier this week Burroughs failed to get an interim injunction from a High Court judge which would have prevented the authority from buying the ICL computer. In a statement yesterday Buroughs said it would now pursue its action to a full trial.

The contract, worth about £500,000, was for a computer at Northampton General Hospital. Similar systems are likely to be installed at other hospitals in the region. Burroughs says the contracts it is suing for are worth several million pounds.

The move is part of a growing effort by U.S. manufacturers to ensure that public procurement of computers does not favour ICL or other British manufacturers, as it has in the past. EEC and Gatt rules now require that the public procurement of computers is through open tender.

IBM is also taking legal action against the Severn-Trent Water Authority, which went against the advice of its technical experts to choose ICL. At the end of this month IBM will have a High Court judicial review of the way in which the authority reached its decision to buy an ICL system. In this case the ICL computer is thought to have been cheaper.

Another U.S. company, Sperry Univac, is also thought to be considering taking legal action against the water authority as its system was rated technically above ICL. But it is likely to await the outcome of the IBM action.

IBM has fought fiercely to stop the Government favouring ICL. It lobbied vigorously over the computerisation of the PAYE system but the contract was eventually awarded to ICL.

Oxfordshire Regional Health Authority had been expected to decide on the Burroughs system in May. The decision was put off for a month and it was switched to ICL, which was the fourth choice. Other companies competing included IBM, Digital Equipment and British Medical Data Systems.

Yesterday neither the health authority nor ICL were prepared to comment on Burrough's decision to continue its action.

£81,000 pay increase for Heron Corporation chief

BY CHARLES BATCHELOR

MR GERALD RONSON, chairman of Heron Corporation, the property and service station group, has been given an £81,000 pay rise, taking his earnings to £288,000.

Details of Mr Ronson's 39 per cent wage increase were given in the company's annual report for the year ended March 31, which was published yesterday.

Mr Alan Goldman, Heron's finance director, said the salary was "not unusually large for a company of this size. How many other major British companies managed to increase profits over the past year?" he asked.

Commenting on possible criticism of the rise he added: "Heron is a private company and I do not think that few shareholders there are will be complaining. They will be delighted with the group's performance."

In its report, Heron announced a 15 per cent rise in pre-tax profit to £15.5m on turnover which was 6 per cent higher at £322m.

Heron revealed on Monday that it had acquired a 5.1 per cent stake in UDS Group, the department store and clothing retailing group, but said this was for investment purposes only.

Finance house to offer cut-price loans and credit

BY PAUL TAYLOR

THE UK finance subsidiary of a big U.S. bank is launching what it claims is the first ever UK "money sale" tomorrow—offering cut-price personal and home loans through its network of 26 High Street money-shops.

Boston Trust and Savings, a subsidiary of First National Bank of Boston, has about 20,000 customers—80 per cent personal—and just under £25m in outstanding loans.

Until August 14 the finance house will be offering 10 per cent off interest charges on unsecured personal loans between £300 and £3,000 and on homeowner loans ranging between £1,000 and £7,500.

This will mean a reduction in the annual percentage interest rate on a four-year personal loan, for instance, from 30.3 per cent to 27.4 per cent and a reduction from 23.3 per cent to 21.6 per cent on the annual rate on a seven-year home loan.

Boston Trust is also offering free credit for the first three months on its revolving credit account, which provides facilities up to 30 times a monthly payment. On a £3,000 facility, this could mean a "saving" of up to £198.

Mr Graham Telford, a director of Boston Trust and Savings, recognised that the rates were not necessarily competitive with those offered by the clearing banks.

But "they are very attractive compared to hire purchase, certain popular credit cars and finance company loans advertised in national newspapers," he said.

Mr Telford said the company, which has opened five of its moneyshops inside Debenhams stores, "has to be thinking of itself more as a retailer." He said further sales to increase customers during "slack demand periods" might follow if this experiment proved a success.

Treasury man appointed to top Employment job

MR MICHAEL QUINLAN, deputy secretary in the Treasury in charge of industry, was yesterday appointed permanent secretary at the Department of Employment in succession to Sir Kenneth Barnes, who retires at the end of the year.

Mr Quinlan, 51, has been on secondment to the Treasury from the Ministry of Defence since 1981.

He is the second senior Treasury man to be appointed to head another department within a few days. Last Friday Sir William Ryrie, second permanent secretary in charge of the UK economy and Mr Quinlan's immediate superior, was appointed senior official in the Overseas Development Administration.

Mr Quinlan has spent most of his career in the MoD. His first job after leaving Oxford and doing his national service with the Royal Air Force was in the Air Ministry.

After a number of jobs there and with the MoD he was seconded to the British Delegation to the North Atlantic Treaty Organisation between 1970 and 1973. He then spent three years in the Cabinet Office before returning to the Ministry.

Staffing cuts plan angers teachers

By Michael Dixon, Education Correspondent

THE LABOUR PARTY and the two main teachers' unions reacted angrily yesterday to official forecasts that more than 16,000 teachers in English schools and colleges must be dismissed next year if planned economies in educational spending are to be achieved.

In addition to the dismissals of staff aged under 50, the schools and colleges would need to lose a further 16,600 older teachers through normal and early retirements.

The forecasts, drawn up by a subcommittee of central and local government officials, assume that the pay rise to be awarded to teachers next April will be the same as this year's 6 per cent increase.

The projections will be considered on July 19 by the Consultative Council on Local Government Finance, which is headed by Mr Michael Heseltine, Environment Secretary.

In the State schools in England, which employ about 420,000 teachers, the projected 14,000 dismissals would represent 3.3 per cent of the total and the 15,000 retirements 3.6 per cent.

In the polytechnics and colleges, the 2,320 dismissals would represent 8.3 per cent and the 1,580 retirements 5.7 per cent of the 27,900 staff teaching at a higher academic grade than GCE Advanced levels.

The officials on the subcommittee doubt that many of these staff could be converted to teach on the more practical courses which will form part of the Manpower Services Commission's Youth Training Scheme, and for which colleges are expected to need an extra 1,800 teachers by 1983-84.

No figures are available for the number of teachers registered as unemployed in England. But in Britain as a whole, 21,329 experienced teaching staff were on the register on June 2.

The two largest teachers' unions—the National Union of Teachers and the National Association of Schoolmasters and Union of Women Teachers—both said yesterday that they would resist any compulsory redundancies.

Mr Neil Kinnock, the Labour spokesman on education, is pressing for a full Commons debate on the projections.

Ian Rodger examines a report which advocates government action on quality approval

Reshaped standards system 'would help exports'

IN BRITAIN you can buy motor oil graded under an American standard (SAE) or a camera approved under a Japanese inspection system (JCII), on which you can adjust the light meter according to a German measuring system (DIN).

No British acronym appears in this group because, until recently, the British were surprisingly unaware of the many and valuable uses of a coherent system of standards.

The words "British made" or a company's name, such as Firth on a piece of stainless steel, used to be considered sufficient warranties of quality. And no-one would think of using an official standard as a non-tariff barrier to unwanted imports.

Today, all that has changed, and the Government is making increasingly urgent noises about getting the country's standards system in order.

"Good standards help firms achieve the levels of quality, reliability and safety in design and manufacture which increasingly are a prerequisite of successful competition in world markets," Mr Patrick Jenkin, Secretary of State for Industry, said last month.

"We are aiming to make our current haphazard arrangements work more efficiently."

Mr Peter Rees, Minister for Trade, has promised that his department would publish a consultative document shortly containing proposals to enhance the status of UK standards.

It is something of a coincidence that the report of the Cabinet's Advisory Council for Applied Research and Development arrives in the middle of this new enthusiasm.

The council set up its working party on standards a year ago in very different circumstances. Sir Frederick Warner had just published for the National Economic Development Office a study on the use of standards as non-tariff barriers, and the council was distressed that it had not had much impact.

Dr Bryan Lindley, a member of the council, suggested a wider study on the impact on product design of standards, regulation, certification and approvals, and became chairman of the six-man working party.

The report was completed in May and circulated among the interested Government departments.

The central argument of the study is that a system of certification and approval of components and products that is demonstrably demanding is needed to gain respect for British goods abroad and ensure that goods sold on the home market are also of a high standard.

Moreover, Britain must have an efficient process for writing and implementing its own standards. Otherwise, according to Dr Lindley, who is director of technology at Dunlop, it would become totally reliant on others' technological pace.

Experience in this country and elsewhere shows the way of assuring quality in manufacturing. So-called quality management systems have long been an aspect of defence procurement, ensuring consistency and accuracy in production, and these are now being applied more widely in manufacturing.

In some cases, a company imposes a scheme on its component suppliers. In others, a whole sector, such as industrial fasteners, sets up a scheme.

The Acard report estimates about 10,000 of the 90,000 UK manufacturing companies have been assessed under public sector schemes and probably as many again by the private sector.

The next step is independent approval or certification by an industry-sponsored body, such as the British Electrotechnical Approvals Board (BEAB) in the electrical products sector. Acard says there are a few dozen of these, but hopes to see several hundred covering most manufactured products within three to five years.

Finally, it is felt that certification and approval schemes must be recognised by the Government as being based on sound professional practice and independent of manufacturers' interests. The use of a national mark would be a considerable aid to exports, the working party argues.

Dr Lindley said Britain often tried to negotiate reciprocity with foreign countries on product standards, so that each would accept the other's approval schemes.

"If we want our products to be allowed in other countries without being subjected to testing, we must have our own tests. But our schemes are often not recognised because they do not have Government backing."

Most manufacturers believe that the costs of failure of their products are much higher than the costs of appraisal and pre- that all Government departments and public bodies should be required to make use of British standards and product certification schemes in their purchasing practices.

Changes to the Consumer Safety Act and the Health and Safety at Work Act should be made so that British standards are recognised as meeting legal requirements. If manufacturers knew they had some defence against product liability claims, they would be more likely to adhere to the standards.

Government agencies that make regulations should try to link them with standards and voluntary codes of practice.

The working party found great dissatisfaction among manufacturers over the policing of claims of compliance with existing British standards and regulation, notably those in the Trade Descriptions Act. The problem, said Dr Lindley, is that enforcement is delegated by the Department of Trade to overworked trading standards offices in local authorities.

Acard wants to see more aggressive policing, not just of cases of non-compliance or counterfeiting that come to light, but also at the ports of entry to the country to stop imports that do not meet British standards.

Dr Lindley acknowledged that there was an element of protectionism in the suggestion. "We may need to be protectionist in this way from time to time, but we do not have the means in our arsenal now."

The working party wants the Government to provide more funds to the British Standards Institution so that the process of writing standards can be speeded up. It also seeks more Government support for UK involvement in international standards forums. vention. Acard found that, in West Germany, the DIN standards for quality manufacture and certification were considered a minimum by many manufacturers. However, it believes a number of incentives are necessary to bring about concerted action.

For example, it recommends

It urges the creation of an advisory body attached to Acard and the Cabinet Office that would push for implementation of its recommendations and the setting-up of an inter-departmental committee to co-ordinate Government responses.

The working party also recommends that a single department be made responsible for design and standards policy.

Dr Lindley does not say which of the two departments most concerned, Trade and Industry, he would like to see take over, but Acard seems more in sympathy with the Department of Industry.

Facing International Competition. The Impact on Product Design of Standards, Regulation, Certification and Approvals. Cabinet Office Advisory Council for Applied Research and Development.

BRITAIN'S programme to promote metrication should be resumed urgently, the Cabinet's Advisory Committee for Applied Research and Development, says.

In a report on the use of standards and certification schemes to strengthen the competitiveness of British industry, Acard argues that the potential savings for manufacturing industry in a single standardised measurement system outweigh any disadvantages.

"Abandoning the metrication programme and abolishing the Metrication Board was a retrograde step, creating impediments, such as the prohibition of dual pricing, to metrication in the engineering industries."

The working party's major recommendation is that laws should be changed to enhance the status quality standards in this country to the levels existing in other countries.

Specifically, compliance with British standards should constitute a defence against product liability actions and be a mitigating factor in setting insurance premiums.

The report also urges the rapid creation of independent product certification and approval schemes, especially in companies and sectors where exporting is important. These schemes should be accredited by a new national organisation that would control a British quality mark similar to the West German DIN Gepruft or the Japanese JIS marks.

More aggressive policing of false claims of compliance with British standards is needed to support the integrity of the system. Counterfeiting is said to be widespread in some sectors.

Ford plant may switch to coal for heating

By Maurice Samuelson

FORD is considering a £20m plan to use coal instead of gas for its main heating needs at its Dagenham factory.

The company is understood to have sounded out the Department of Industry about a 25 per cent grant under the boiler conversion scheme, but a decision to carry out the conversion has not yet been made. It could raise the company's coal burn to 120,000 tonnes a year.

New boilers

The company said yesterday that even when the economics of the scheme had been worked out, its fate could depend on the state of industrial relations in the British coal industry.

The Dagenham car plant already uses coal for space heating in the winter and new boilers would provide process heat for which gas is currently used.

Dagenham has large storage capacity and facilities to unload coal brought by ships from North East England. The size of these storage yards could cancel out its fears about the future interruptions in coal supply.

Star fees 'hit seaside theatre'

BY JAMES McDONALD

HIGH FEES commanded by performers and their managers and agents may be putting seaside local authorities out of the entertainment business, said Mr Michael Montague, chairman of the English Tourist Board.

"The £20,000 a week entertainer is not only killing the seaside municipal theatre, but a lot else besides," he told the annual meeting of the Southern Tourist Board at Hayling Island yesterday.

"The decline of municipal seaside theatres was certain, with tickets at £4 or £5 or more and in some cases no reductions for children, but this could also mean the death of the seaside pier, said Mr Montague.

"Rate payers who are subsidising these shows are complaining that they can't afford to see them."

If municipal theatres had to close "the smaller acts, the support casts and the budding stars will have fewer places to tread the boards.

"Over-priced stars have put the variety clubs—the 20th century successor to the music halls—out of business and all the indications are that the same may happen to the seaside theatres, unless something is done about it."

Mr Montague suggested that big name acts could be shared by resorts, with performances in neighbouring towns on different nights. Resorts must co-operate to hold down prices.

If necessary, he said, municipal authorities must vote with their cheque books and drop the expensive stars altogether. Audience participation and quiz shows, talent nights, rock concerts and speciality acts could fill the seats if the price was right.

Mr Montague said the Institute of Municipal Entertainment had a working party examining the problem and the British Resorts Association was also looking at ways to help.

Ulster management training plan

BY OUR BELFAST CORRESPONDENT

THE GOVERNMENT yesterday proposed the setting up of a non-state body to oversee management training in Northern Ireland.

A discussion paper on the reorganisation of management education and training from the Northern Ireland Department of Manpower Services said an authoritative independent body should be organised and managed by user interests.

Such an organisation would be funded from membership fees and charges for its services, but substantial Government assistance would be needed for the first three years.

With sufficient support from industry and with pump-priming finance from the state, it would give the leadership and focus at present absent in the development of managerial skills.

The paper said present government funding supported a range of unrelated objectives. There was confusion of effort and an overlap of responsibility, it said.

The Northern Ireland Economic Council, an advisory body, will help set up a steering committee to produce detailed proposals for the new body and to take further soundings from industry.

Management training and education in Northern Ireland, Department of Manpower Services, Netherleigh Massey Ave, Belfast BT4 2JP.

● A showpiece housing estate in Craigavon, County Armagh, faces the bulldozer—10 years after it was built.

Only a quarter of the 80 houses are occupied, the others have been damaged by vandals or are falling into decay.

About 450 homes in Craigavon have been lying vacant for some time.

The houses are owned by the Northern Ireland Housing Executive, the state body which controls public housing throughout the province.

Norway likely to react to N. Sea gas tax move

BY SUE CAMERON

THE GOVERNMENT'S decision to give special tax concessions on gas raw materials to Shell, Esso and British Petroleum could lead to Norwegian petrochemicals producers demanding a cut in the price of their North Sea gas feedstocks.

Among those that might benefit is Imperial Chemical Industries—the one major UK chemical producer excluded from the British tax deal on raw materials.

If the Norwegian price of ethane gas feedstock is trimmed then some of Norway's North Sea producers might find it more profitable to sell gas to ICI than to their domestic chemical companies.

An ethane carrying pipeline which runs from the Norwegian Ekofisk field to Teesside already exists. It is understood that Phillips Petroleum, operator on the Ekofisk field and operator of the pipeline, has had informal discussions with ICI about a deal on ethane deliveries. At present ethane from Ekofisk is piped to Teesside and then shipped back to Norway where it is used as a petrochemical raw material at Rafnes. Three companies—the state-owned Statoil, Norsk Hydro and Saga Petroleum—have interests in the petrochemicals complex at Rafnes.

The complex has used ethane from Ekofisk as a petrochemical raw material since 1978. But when the gas was first used there were major difficulties over the price that should be charged for it—similar to those now being experienced in the UK.

The main problem, as in Britain today, was that nobody else in Europe used ethane to make petrochemicals and it was therefore hard to establish a market rate. But after tortuous negotiations involving buyers, sellers and the Norwegian Government, it was agreed that the ethane price should be related to the prices of other petrochemicals feedstocks, such as the oil-based naphtha.

It is thought the agreement still left the Norwegian ethane price some 40 per cent lower than that of naphtha. But the market price of naphtha—used by most West European petrochemical companies as a raw material—has recently fallen and the differential between ethane and naphtha in Norway has therefore narrowed.

The price of naphtha in Europe is put at about 33p a therm. The Norwegian ethane price to petrochemical companies at Rafnes is thought to be more than 20p a therm.

But a Norwegian ethane price of 20p plus a therm would be considerably higher than the price the chemical subsidiaries of Shell, Esso and BP are expected to pay for the gas in Britain. The UK Government has agreed to accept a low valuation for ethane for tax purposes. This will enable Shell, Esso and BP to transfer the gas to their chemical subsidiaries without facing huge bills for Petroleum Revenue Tax. Their subsidiaries are expected to pay parent companies well under 16p a therm for their gas.

The differential between the Norwegian and the UK ethane prices is likely to bring demands for the Norwegian Government to step in and lower the ethane price paid by petrochemical companies there.

The Norwegian petrochemical companies may well call on their government to follow the UK precedent on pricing—to ensure that British companies do not have an unfair advantage on raw material costs.

Meanwhile in the UK, ICI has been left out of the tax deal because:

● It is not an oil company subsidiary and does not buy its petrochemical feedstocks at transfer prices.

● It uses the oil-based naphtha, not ethane, at its Wilton complex.

But ICI has protested strongly that the Government's tax concessions to Shell, Esso and BP will put it at a competitive disadvantage, and it has warned that in the longer term, it could be forced to close its Wilton complex with the loss of up to 9,000 jobs.

The Norwegians are building a North Sea gas gathering system which will increase their supplies of ethane. It is due to be completed by 1986.

They could then find they have more ethane than they need for the Rafnes chemical complex—and they might agree to ethane from Ekofisk being sold to ICI at Teesside instead of being shipped back to Norway. However, this would only make economic sense if the Norwegian ethane price was lowered.

A crucial decision on the size of the plant that will separate gases coming through the pipeline—the size of the plant will determine how much extra ethane becomes available—is due to be taken at the end of this month.

Proposal to cut airport congestion

By Michael Donne, Aerospace Correspondent

AIRPORT CONGESTION could be substantially reduced through checking in passengers and their baggage at outside centres, and conveying them by bus directly to their aircraft.

"Remote stations" were suggested to the public planning inquiry into the proposed development of Stansted Airport, Essex, by Mr Edward House, formerly in aircraft scheduling with British Airways.

Giving evidence to the inquiry on behalf of the Council for the Protection of Rural England, which is opposed to the development of Stansted, Mr House suggested that remote stations would be significantly cheaper than the development of Stansted, and extremely flexible.

"Passengers for any specific destination could be required to check in at a specified point remote from the airport, or at least outside the airport periphery, thus dispensing with nearly all the walking and waiting within the airport terminal.

"Customs, immigration and security checks would all take place at these remote stations, of which two or three might suffice for the average airport, but of which up to a dozen might eventually be needed for major traffic centres," said Mr House.

"Passengers and their baggage, not necessarily together, would then be taken in large groups in special customs and immigration secure vehicles to be deposited straight into their aircraft on the apron."

At Heathrow after the year 2000, said Mr House, there would be as many as eight remote stations to handle the number of travellers forecast.

"The whole changeover at any airport could be achieved gradually over many years," said Mr House. He argued that the remote station system could obviate the need for the proposed Stansted expansion.

The inquiry was also told yesterday that the British Tourist Authority's policy of promoting London as the country's most important tourist centre was wrong.

● Plans by Britannia Airways to fly inclusive tour charter services between London (Gatwick) and Jersey have been upheld by Lord Cockfield, Secretary for Trade. He dismissed an appeal by British Caledonian Airways seeking to overturn the original award of the licence to Britannia by the Civil Aviation Authority.

Lord Cockfield has also upheld the CAA's decision to grant British Midland Airways the right to fly scheduled services between Birmingham and Brussels, dismissing an appeal by Alidair against that decision.

Maritime league plans to fight naval cuts

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

CUTS IN Britain's naval strength introduced over the past year carry serious national risks and are unacceptable in military terms, Admiral Hill-Norton, former chief of defence staff, said in London yesterday. He was speaking at the launching of a new association called the British Maritime League which plans to "reverse the decline in Britain's maritime fortunes."

Admiral Hill-Norton, who was chief of defence staff in the mid-1970s, and is president of the new league, has been personally critical of the naval policy followed by Mr John Nott, the Defence Secretary.

He said yesterday it would be premature for the league to have specific agreed objectives on naval policy. It was not in business to offer ready-made alternatives to the Defence White Paper, he said.

However, it seemed clear that the league, said to be without party affiliation, will be another possibly powerful voice in the growing lobby concerned to see Mr Nott's naval cuts reversed.

Lord Hill-Norton said it was an essential part of the league's business to make sure the lessons of the Falklands crisis were "learned and promulgated."

Sir Ronald Swayne, vice president of the league and chairman of Overseas Containers, noted that successive governments over the last decade had shifted the emphasis of Britain's defence policy away from the traditional maritime priorities, both in military and commercial terms.

The Falklands crisis had shown the importance of the merchant marine with 50 ships being taken up from the trade.

The latest defence white paper was "deeply disappointing" in that it did nothing to enhance Britain's declining ability, in conjunction with its allies, to give western shipping "the minimum protection that our freedom and security require."

Mr Nott was expected at yesterday's launching but cried off at the last minute. Sir Frank Cooper, Permanent Under Secretary at the Ministry of Defence, was there in his place, and among the guests was Admiral Sir Henry Leach, the First Sea Lord.

The league's 27-member council includes Mr Frank Chapple, general secretary of the Electrical and Plumbing Trades Union; Mr Patrick Duffy, Labour MP; Sir Derek Rayner, adviser to the Prime Minister on efficiency; and Mr Keith Speed, the former Minister of the Navy who was sacked by Mrs Thatcher last year.

Drug prices 'take account of foreign sales'

BY SUE CAMERON

THE DEPARTMENT of Health last night stressed that the prices UK pharmaceutical companies charge for their drugs overseas were taken into consideration when making assessments under the British price regulation scheme.

This statement follows claims that the National Health Service drugs bill could be cut if parallel imports—where products are bought cheaply in one country and then sold in a higher-priced market — were made easier.

Such imports are permitted under EEC legislations, but the department has just successfully prosecuted a parallel importer of drugs to the UK for not having a product licence. The importer said in court that easing restrictions on such imports would cut prices.

Companies selling or importing drugs to Britain must have a product licence. To obtain this, they have to satisfy the authorities, with research-based evidence, that a medicine is safe, effective and of a uniform quality.

A parallel importing company cannot rely on establishing that the manufacturer of a particular drug has already obtained a product licence for it. Under the Medicines Act, the importer must have one as well. But it is unlikely to get the necessary research-based evidence from the manufacturer.

The UK rules could be in breach of EEC law on parallel importing. But the Department of Health said yesterday there were no plans to scrap the requirement for product licences for all companies selling drugs. It added that even when a parallel importer was selling another company's branded drug, there was no proof that the medicine was not counterfeit.

Even if the UK were forced to change its policy on product licences, industry experts believe it is unlikely that there would be any reduction in Britain's drugs bill.

Under the pharmaceutical price regulation scheme, the department can force a drug group to reduce the prices it charges the National Health Service, or it can refuse to approve drug price increases if it believes a company's overall profits are excessive.

The department looks at a company's overall profits, its investment in the UK, its research costs and the prices it charges both in Britain and abroad.

Sale laws too complex says CBI

THE LAW on High Street "bargain offers" was criticised yesterday by the Confederation of British Industry as so complex that shoppers, traders and retail trading standards officers found it difficult to understand.

The CBI has asked Dr Gerard Vaughan, the Consumer Affairs Minister, to make a "thorough and systematic job" of reviewing the Price Marking (Bargain Offers) Order.

The CBI's comments came in evidence to the Department of Trade which is studying a report from the Office of Fair Trading, published last year, calling for an overhaul of the bargain offer laws.

The CBI said that many traders were having to abandon price cutting campaigns because no one could say for sure whether they were legal. At the same time, less scrupulous traders were coming up with new ideas for bogus bargain offers which were within the letter of the law, but quite against its spirit.

English regions to receive increased development aid

BY ANTHONY MORETON, REGIONAL AFFAIRS EDITOR

THE GOVERNMENT is to put more resources behind the work of the English regional development organisations to counter their complaint that they suffer by comparison with the development agencies in Scotland and Wales.

Mr Norman Lamont, Minister of State at the Department of Industry, told the North East Development Council yesterday that he would increase its grant by 50 per cent if it could draw up a "realistically costed programme of overseas promotion."

The Government would also, on its matching pound-for-pound principle, increase the amount granted to the council if NEDC increased its income from constituent members in its area.

Mr Gordon Wainwright, chairman of NEDC, said after the meeting: "We have been offered the prospect of parity with Wales and Scotland if the North East can achieve a coordinated and effective promotional overseas programme."

The Government decision offers the NEDC the opportunity to receive at least another £130,000 a year, together with a further sum equal to as much as it can raise in direct contributions from client members.

NEDC's incomes from the Government last year was £230,000 towards its total budget of £528,000.

Mr Lamont wrote to all four English regional development organisations—the North West Industrial Development Association, the Yorkshire and Humberside Development Association and the Devon and Cornwall Development Board are the others — at the end of last month outlining his proposals.

Norwida had a grant of £121,000 towards its income of £281,000 last year. The Yorkshire and Humberside grant was £65,000 towards £248,000, and Devon and Cornwall received £55,000 towards an outlay of £110,000.

Wrapping up a £2bn success story

Maurice Samuelson looks at Marks & Spencer's packaging

St Michael bottles of vintage chablis—where Marks & Spencer grudgingly lifts its taboo on glass containers

ON THE SIXTH FLOOR of one of the largest buildings in London's Baker Street, a team of experts is investigating the properties of a new, mainly plastic container, which could spell the death of the familiar food can.

They are also studying the potential of other forms of plastic which could pose a serious challenge to glass bottles and jars.

By coincidence, the office where this research is being carried out is the former headquarters of Britain's biggest packaging company, Metal Box.

The researchers work for Marks and Spencer, Britain's leading retail chain, which moved into the building when its former neighbour moved to Reading several years ago.

Like most merchandisers, Marks & Spencer plays down the effort it puts into packaging. "We prefer to practise the art of not packaging and to let our merchandise sell itself," says Mr Bob Franklin, technical manager of its packaging division.

His words belie the importance of packaging in aiding Marks & Spencer's sales, which last year topped £2bn, or the influence which it has over some of its High Street competitors.

One estimate puts Marks & Spencer's annual bill for packaging materials of all kinds at £40m. There is no official figure, since packaging is not budgeted separately in the company's production costs, but the amounts of materials needed are known.

The company uses 18,500 tonnes of corrugated cases a year and 1,700 tonnes of polystyrene coat hangers. This is apart from plastic film, paper bags, cans and cartons, used for a wide variety of products.

Since Marks & Spencer sells only under its own St. Michael brand name, it has established a formidable reputation for quality control among its wholesale suppliers. This reputation spills over into the packaging industry, which regards it with a mixture of fear, respect and occasional irritation.

One of its most notorious idiosyncracies has been its policy on glass. Until recently, the material was virtually taboo in Marks & Spencer stores.

Jars of salad dressing are among the few examples of glass-packaging in Marks & Spencer food departments—a grudging recognition of its strong reputation elsewhere. But Mr Franklin insists that in the long term, supermarkets will want to replace glass.

Like most members of the food trade, he is keenly interested in polyethylene teraphthalate, or PET, the crysal clear plastic which has all but replaced the larger sizes of soft drinks bottles.

The company is in close touch with Imperial Chemical Industries, which makes the Melinex polymer at Harrogate, as well as with Eastman Kodak which makes a rival product, called PETG, in the U.S.

In Mr Franklin's view, the container which could take the place of the food can is a laminated tray with a foil seal, called Lamipak, being developed by Metal Box.

Other new forms of packaging, such as polystyrene milk shake carton, designed by the Swedish Tetrapak company, plastic sandwich cases and preformed salad trays are already playing an important part in Marks and Spencer's food sales, which are increasing by more than 20 per cent a year in value and 11 per cent in volume.

ENERGY REVIEW

Electricity in Scotland: the road from Invergordon

By Martin Dickson

FEW PEOPLE are following the Government's attempts to revive aluminium smelting at Invergordon, in the Scottish highlands, with keener interest than Mr Donald Miller.

For Mr Miller is the chairman of the South of Scotland Electricity Board, which lost its largest customer last December when British Aluminium shut down the Invergordon smelter, mainly because of the high cost of power.

In an attempt to revive the smelter, the Government has been holding discussions with several aluminium manufacturers and holding out the possibility of hefty power subsidies. But so far there have been no takers and British Aluminium, which has kept the plant going on a care and maintenance basis, is keen to begin disposing of its remaining assets.

The closure of Invergordon has had four main effects on the SSEB, which supplies power to 1.6m consumers in southern and central Scotland and "swaps" power with the North of Scotland Hydro-Electric Board, serving the Highlands and Islands.

● First, it has lost revenue because of lower electricity sales.

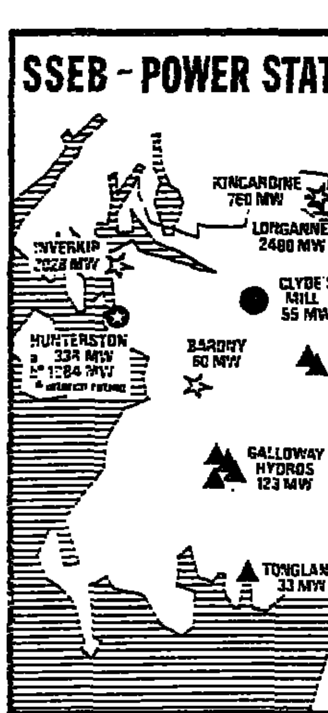
● Second, the Board's generating costs have been reduced. Lower electricity demand means it has been able to reduce the operation of its least efficient power stations, those with the highest generating costs. It is using its coal-burning stations at Cockenzie and Kincardine less intensively—its coal consumption will drop by 750,000 tonnes a year—and is also cutting down on the use of its oil-fired station at Inverkip.

● Third, it has bought from British Aluminium for £99m the company's stake in the Hunterston and residual [illegible] Hunterston B advanced gas cooled reactor (AGR) nuclear power station, and will have to pay interest charges on this sum.

The net effect of these three factors over the next few years should have a broad balance, so that the Invergordon closure produces no significant effect on the Board's tariffs. Nor should there be any effect on prices if the plant does reopen, since the Government would be subsidising the cost of the power.

● Fourth, the closure will increase the SSEB's substantial excess generating capacity—an issue which has stirred up considerable public controversy in recent years.

But controversy is not something that seems to worry Mr Miller, 55, who took over in April from Mr Roy Berridge, the chairman since 1977.



MR DONALD MILLER stout in defence

Mr Miller, who had been deputy chairman since 1980, is a man of rather abrasive manner who clearly does not suffer fools gladly and is stout in his defence of the Board's record. Against the background of the Invergordon closure, what are the main challenges facing him as he gathers up the reins of the top office?

—Relations with consumers. In Scotland, as in the rest of the UK, the electricity supply industry faces a major challenge in moderating electricity price rises particularly to industry. Britain's heaviest industrial users of power have been complaining for two years that they pay substantially more than their Continental competitors. The Government is concerned that the gap could widen even more over the coming decade if Britain does not build its new nuclear power stations in time and cost and held down the price of coal burnt in others.

However, prices in Scotland are somewhat cheaper than in the rest of the UK. The average Scottish price to domestic consumers in 1980-81 was 3.643p a kilowatt hour, only 86 per cent of the 4.221p a kwh charged in England and Wales. For industry, the gap was much less with Scotland enjoying a 2 per cent price advantage.

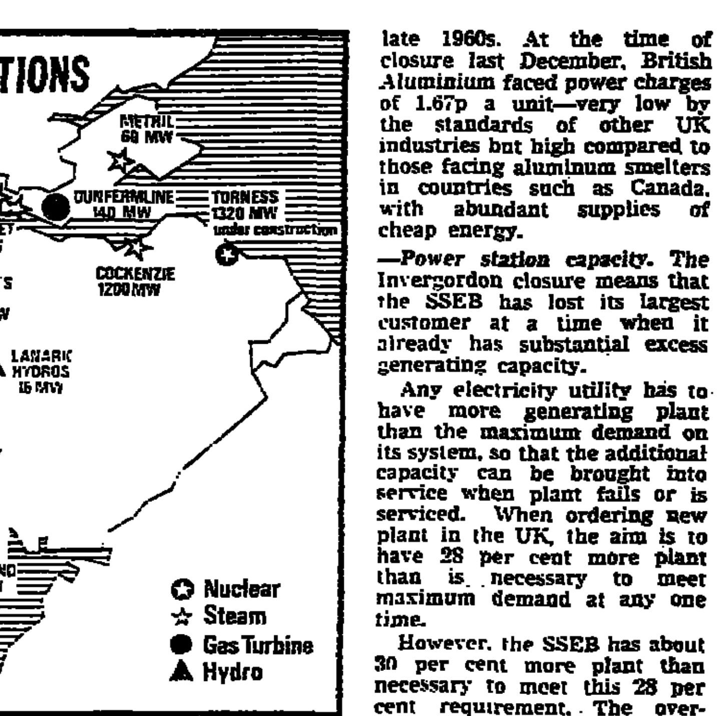
Reasons for the price [illegible] include the fact that Scotland contains a high percentage of the UK's hydro-electric power plant — the responsibility of the northern board — which produces electricity very cheaply. A high proportion of Scotland's power is also provided by relatively cheap nuclear plant. However, the SSEB says that these factors are partially offset by the generally higher cost of Scottish coal.

But although Scottish electricity prices generally compare favourably with the rest of the UK they have hit the headlines recently as a result of British Aluminium's decision to close Invergordon.

British Aluminium's move was the climax of a long and complex saga stretching back to the late 1960s when the then Labour Government promoted the construction of three aluminium plants British Aluminium's at Invergordon, Alcan's in Northumberland and Anglesey Aluminium's near Holyhead. All three made special arrangements to ensure they got cheap supplies of electricity, which can account for up to half the cost of smelting aluminium.

In the case of Invergordon, British Aluminium agreed to pay for part of the construction costs of the SSEB's Hunterston B nuclear station completed in 1976, in return for a guaranteed supply of electricity.

But the costs of nuclear power have not worked out as cheaply as was expected in the late 1960s. At the time of closure last December, British Aluminium faced power charges of 1.67p a unit—very low by the standards of other UK industries but high compared to those facing aluminium smelters in countries such as Canada, with abundant supplies of cheap energy.



Martyn Barnes

—Power station capacity. The Invergordon closure means that the SSEB has lost its largest customer at a time when it already has substantial excess generating capacity.

Any electricity utility has to have more generating plant than the maximum demand on its system, so that the additional capacity can be brought into service when plant fails or is serviced. When ordering new plant in the UK, the aim is to have 28 per cent more plant than is necessary to meet maximum demand at any one time.

However, the SSEB has about 30 per cent more plant than necessary to meet this 28 per cent requirement. The overcapacity is the result of over-optimistic forecasts of demand growth in the late 1960s and early 1970s when new power stations were ordered—just a few years before growth rates dropped sharply.

But Mr Miller says that people who criticise the Board for excess capacity miss the point: "It's about time this thing was got in proper perspective. What really matters is achieving the lowest possible costs. It is wrong to assume that because your plant margin is bigger, your costs will also be."

The closure of Invergordon demonstrates the point, since it will mean a higher plant margin but—as indicated above—lower system generating costs.

—The construction of Torness. The SSEB is building a new AGR nuclear station at Torness, on the Scottish east coast. It is one of two AGRs—the other is at Heysham in Lancashire—for which the Government gave the go-ahead in late 1979.

Construction of the 1320 MW station began in August 1980 and the project is on target to produce its first commercial load in early 1987. The SSEB says that it is still within its March 1980 price tag of £1.097bn, allowing for inflation.

However, the sluggish growth now expected in electricity demand means that the station will not be needed on capacity grounds until well into the 1990s. Why, then, is it being built now?

The SSEB says that is is justified on purely economic grounds since nuclear power is cheaper than coal or oil-fired plant. It argues that by building Torness early it will get a discounted cash flow advantage of some £400m because this enables oil fired plant to be run less.

But not everyone is quite so confident. In a report last year on the Government's nuclear strategy, the House of Commons Select Committee on Energy expressed surprise that the Scottish Office had not re-examined the economic case for Torness in the light of the SSEB's big plant margin and said there was "undoubtedly a case" for not ordering two AGRs.

—The operation of the SSEB's existing nuclear stations. Hunterston A, one of Britain's first generation of Magnox nuclear stations, came into operation in 1964 and has performed extremely well ever since. It has had a load factor of over 80 per cent—the actual production of units as a percentage of the units it is capable of producing—placing it right at the top of the international nuclear league table.

Hunterston B—one of the first AGRs to come into operation—has not been so trouble free. First, a major accident occurred in 1977 when seawater got into the cooling water system of one of the reactors.

Mr Berridge, the recently retired chairman, describes this as "my most traumatic experience by a long way. It happened within a few months of my taking on the job, cost us money and put us in the limelight."

The accident put the reactor out of action until 1980. But the SSEB says it is now very satisfied with the plant's performance. In the financial year to last March the reactor affected by the seawater had a load factor of over 70 per cent.

Mr Miller says that this would have been nearer 80 per cent if the plant had had "on-load refuelling"—the ability to refuel without shutting the reactor down. The aim is to introduce on-load refuelling later this year.

Hunterston B was also down-rated early in its life (from the 660Mw each unit was designed to put out) because of fears of steel corrosion. But Mr Miller says these fears have largely proved unfounded and he expects that the plant's rating will rise from about 580-590Mw per unit now to about 640Mw by the mid-1980s.

"We're very pleased with the plant," he adds. "It gives us great confidence Torness is going to be a first class reactor."

But Torness still has to be built on time and to cost—a job which Mr Miller regards as one of his most important challenges.

APPOINTMENTS

New chief at Wimpey

Mr C. J. Chetwood has been appointed chief executive of GEORGE WIMPEY. He remains group managing director responsible for the UK construction division. Mr Chetwood was appointed chairman of the group board of management in 1975. On the restructuring of the group in 1979 he became a group managing director and chairman of Wimpey Construction UK and he took over as chairman of Wimpey Homes Holdings in December 1981. Mr Chetwood is chairman of the executive board of George Wimpey and a director of Wimpey Property Holdings.

Mr C. J. Chetwood

★

Mr R. W. Mathias has retired from the board of MIDDLETON, FOSTER, ANDERSON & CO. and Mr A. C. K. Y. Lombard Knight has been appointed a director.

★

NORDIC BANK, London, has appointed Mr Roy Davey an associate director with responsibility for correspondent banking.

★

UNITED GAS INDUSTRIES has appointed Mr G. D. Carter and Mr J. R. Francis directors of Teddington Bellows.

★

J. BIBBY & SONS has appointed Mr George Helsby to its board as a non-executive director. Mr Helsby is chairman and chief executive of Burnett & Hallamshire Holdings.

★

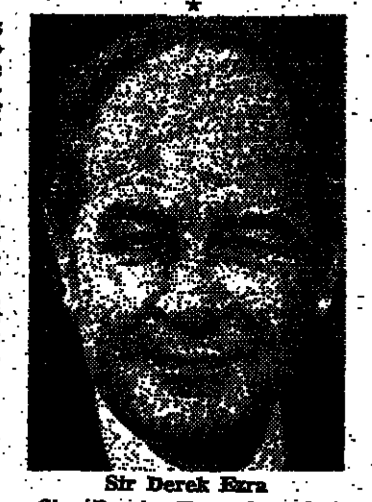
ESTATES AND GENERAL INVESTMENTS has appointed Mr Peter B. Prowting to the non-executive chairmanship following the retirement of Mr John A. Lawrence. Mr Lawrence, who has completed seven years as chairman, has resigned as chairman and director to concentrate on his other and increasing responsibilities. Mr Peter N. Berry, who remains as finance director, also becomes deputy chairman. Mr David W. Bloomfield, general manager, and Mr Roger Dossett, have been appointed to the board, the former as managing director.

★

TULLETT & RILEY INTERNATIONAL GROUP has made the following appointments: Mr Ronald Bennett, Mr Ian Goldsmith and Mr John Graves, have been appointed directors of Tullett & Riley (Currency Deposits) Co. Mr Walter Bonnici, Mr David Evans and Mr David Tuffley, have been appointed directors of Tullett & Riley (Foreign Exchange) Co.

★

Mr Roy Flatters has been appointed marketing director and Mr John Bishop, service director, of ASSOCIATED LEISURE HIRE (LANCASTER).



Sir Derek Ezra

Sir Derek Ezra has been appointed a consultant on industrial matters by MORGAN GRENFELL AND COMPANY on his retirement as chairman of the National Coal Board.

CONTRACTS

Babcock Product Engineering busy in Scotland

BABCOCK PRODUCT ENGINEERING has been awarded a contract worth more than £7m to supply coal fired spreader stokers for the Royal Ordnance Factory, Bishopton, in Scotland. The equipment will be fitted to four Babcock Power (shell boiler division) compo boilers, each rated at 69,000 lb/hr at 270 psig and 700 deg. F to supply steam to existing turbines and pass out steam to process heating.

★

J. DONELLY CONSTRUCTION has been awarded a £610,000 contract by The Anchor Housing Association to build 36 flats with warden's accommodation at Wythenshawe, Greater Manchester. The company has also been awarded a £545,000 contract by The Royal British Legion Housing Association to build 25 flats and warden's accommodation at Swinton.

★

JOSEPH NADIN CONTRACTING Manchester-based industrial insulation company, has won contracts worth about £500,000 for insulation maintenance work at the Shellhaven refinery in Essex and at CEGB Willington power station near Derby.

★

Contracts worth £150,000 to provide clean room facilities in three hospitals have been gained by the Bolton-based AEROLOGY CONSORTIUM. Aseptic units are being installed at the Royal Victoria Hospital in Belfast, and at the Ulster Hospital, as well as at the Macclesfield District General Hospital in Cheshire.

★

A glazing contract worth more than £139,000 has been won by JAMES CLARK AND EATON. The order placed by ITL Italiana Lavori of Rome, Italy, is for the external glazing of the Sheraton Hotel in Baghdad, Iraq.

★

A contract worth £110,000 to supply a complete energy and building management system for the University of Surrey has been won by SAUTER AUTOMATION. The contract covers installation of the EY computer-based building automation and energy management system, which will provide facilities for monitoring maintenance requirements, fire and security.

★

OAKWOOD GROUP, via its civil and electrical engineering subsidiary, Clough Smith, has been awarded a portion of two contracts with the Electricity Supply Industry. The contracts which involve cable laying and overhead lines extend over two years and are valued at around £1.2m.

★

BROCKHOUSE FINSPA HANDLING has been awarded a contract worth around £750,000 by the DoE, for the supply of steel shelving to the newly adopted metric specification. Deliveries are scheduled to be made over the next three years.

★

CAPPER PIPE SERVICE has won a £667,000 contract for the installation of mechanical works at Watneys London, Stag Brewery, Mortlake. Capper Pipe Service, a Capper Neill company, will be installing 50 plant items and 6,000 metres of pipework, most of which is stainless steel.

★

DCC has been awarded a £700,000 contract from Cable and Wireless for the supply of "RAPAC" microwave radio equipment which will make a contribution to the Mercury telecommunications project by providing "across-city" digital voice and data communications—initially in London. "RAPAC" is a low-power "point to multi-point" digital microwave radio system, designed and manufactured by DCC for Local Digital Distribution, a joint M/A-COM and AEtna Life and Casualty company.

★

HALFACRE AND YOUNG will construct 11 warehouse/industrial units at Watlington Industrial Park, Watlington, Oxfordshire, under a contract worth £400,000.

★

BRITISH BROWN-BOVERI has been awarded a £300,000 contract by Walker Engineering for the design, supply and installation of the electrical power and control equipment for a new coal export terminal at the Port of Workington. The terminal will have a throughput of 2000 tons per hour and will be constructed for the Cumbria County Council in association with the National Coal Board. The contract includes the cabling, lighting and electrical services. The plant is expected to be operational in the late summer of 1983.

★

UTILICOM has been awarded a contract worth £183,000 for the maintenance for the first two years of the heating, ventilating and electrical systems of the Burrell Gallery to be opened by the City of Glasgow district council next year.

★

CARSON OFFICE FURNITURE has been awarded a contract worth £172,000 for the supply of office furniture for new offices for the British Technology Group at 101, Newington Causeway, London. The contract includes freestanding and screen-mounted systems furniture, with screens and storage, for the new building, which is expected to open in November.

★

The English Industrial Estates states that work is to start on the construction of advance factories on the Mullacott Cross Industrial Estate, Ilfracombe, Devon. The project will consist of: eight workshop units of 1,000 sq ft each; one workshop unit of 1,500 sq ft; and two workshop units of 2,500 sq ft each. The contract, worth nearly £290,000, has been awarded to CLARKE CONSTRUCTION, Exeter. Work starts on June 28, and the units should be ready for occupation by December.

★

Channel Four Television Company has awarded a £93,000 contract to WALTER LAWRENCE (CITY) to undertake the fitting out of the entrance hall and boardroom for the offices at 60 Charlotte Street, W1. Work has started and the contract period is 13 weeks.

★

MUIR WILSON INTERNATIONAL, Jersey, have been awarded a contract by HVA Holland Agro Industries, for the design of the civil engineering works associated with the Khartoum Integrated Poultry Project in the Sudan. The project is located 25 km south of Khartoum on the main Jebel Aulia road and is being carried out as a turnkey contract for the Arab Sudanese Poultry Company which is an operating company of the Arab Authority for Agricultural Investment and Development. Phase one of the project will consist of the development of the 2,000 hectare site for the production of 10.9m eggs and 2.1m broilers per annum. The Muir Wilson International involvement will include the design of foundations for about 54,000 square metres of buildings and of the civil engineering works for roads and services.

PRIME MINISTER'S QUESTIONS

Intervention in rail strike ruled out

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

MRS THATCHER made it clear in the Commons yesterday that she had no intention, now or in the future, of intervening to settle the train drivers' strike.

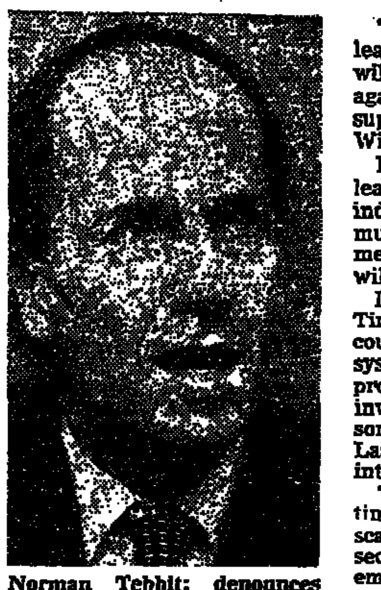
"The handling of that strike must be left to the board of BR," she insisted. "It cannot be done in this House or at No 10 Downing Street."

She was replying to Mr Michael Foot, the Labour leader, who said the board could end the stoppage by agreeing to the Aslef proposal to accept flexible rostering on an experimental basis in some areas. Mr Foot repeatedly stressed that this was very similar to the original proposal put forward by the board itself on June 25.

"Will you look at the matter and try to get a proper settlement?" he asked.

Mrs Thatcher also pinned some of the responsibility for the strike on the Labour Party, whose attitude, she implied, had encouraged such action.

"What we can do is lay down an important principle," she said. "It is totally wrong, as the Labour Party has frequently done, to try to encourage unions to believe there can always be more money without more efficiency and proper work methods."



Norman Tebbit: denounces "murdering of jobs"

Earlier an equally tough stance has been taken by Mr Norman Tebbit, the Employment Secretary. Sir William Clark (Con Croydon South) told him that the "stupid strike" would only lead to increased unemployment.

"The action of some union leaders is industrial suicide and will only mean they are acting against the workforce they are supposed to represent," Sir William said.

Mr Tebbit replied: "The leaders are not committing industrial suicide. They are murdering the jobs of their members and their members will remember it."

In Prime Minister's Question Time, Mrs Thatcher said the country wanted a railway system of which it could be proud. There was considerable investment going on in BR, something like £3bn since 1976. Last year alone £350m had gone into the rail system.

"If investment is to continue on anything like that scale we must be sure it will secure a proper return," she emphasised. "We must therefore have excellent productivity practices and not be dependent upon those which were agreed in 1919. Then there will be very much greater hope of an efficient railway."

Replying to Mr Foot's demand for a settlement on the basis of the experimental roster scheme, Mrs Thatcher said: "The board has made every effort to solve the dispute. I believe they are quite right to insist on the introduction of flexible rostering and right to insist there cannot be any more money without greater efficiency.

"I leave negotiations rightly to the BR board. The Government has stood behind the board in these negotiations." The Prime Minister's reply brought derisive cries of "Chicken, chicken" from the Labour benches.

Mr Tim Smith (Con Beaconsfield) said that Mr Ray Buckton the Aslef leader, stated on radio yesterday that "we were supposed to be living in a democratic country." "Isn't it time he introduced a little democracy in his union and consulted his members about this damaging dispute?" Mr Smith asked.

The Prime Minister told him: "A number of Aslef members have made precisely the same point. A considerable number of them are now working because they give more importance to serving the travelling public than insisting on increased pay without improved work practices."

Compulsory 'belt-up' likely next year

By Our Political Correspondent

WEARING OF seat belts is now almost certain to be made compulsory by next March at the latest. The Government yesterday laid before Parliament the draft regulations making the wearing of seat belts compulsory for drivers and front-seat passengers in cars and light vans.

The regulations will have to be approved by both Houses of Parliament and will meet considerable opposition from a vocal minority of members. But they seem almost certain to get through.

The safety lobby at Westminster has been trying to make seat belts compulsory for almost ten years. Last July, during the debate on the Transport Bill, the Commons voted in favour of the principle of compulsion by 221 to 144 votes. The Transport Act gave the Government the power to make the necessary regulations and last December the Department of Transport issued its proposed regulations.

After discussions with interested parties these have now been amended to allow some extra exemptions. Taxi drivers will be exempted, together with qualified drivers accompanying learners who are reversing and driving examiners. Exemptions will also be made for drivers and passengers in carse with defective seat belts.

The Commons will probably vote on the regulations before the summer recess. The vote in the Lords will probably take place in September. There will then be 23 weeks before the regulations come into force.

Callaghan urges removal of Nott

BY IVOR OWEN

THE LABOUR PARTY'S policy of abandoning the Trident nuclear missile programme was backed for the first time last night by Mr James Callaghan, the former Prime Minister, when he called in the Commons for more resources to be devoted to strengthening the Royal Navy's surface fleet.

In a speech which dominated the final day's debate on the Government's White Paper on defence, he advocated a reduction in the size of the British Army on the Rhine and a return to greater emphasis on Britain's maritime role.

Mr Callaghan also lent his powerful support to the demands for the removal of Mr John Nott from his post as Defence Secretary.

He told the House: "I shall not rest until he has been moved from that particular office and we have someone there who has a more basic understanding of where Britain's national interests are and where our strategic role really lies."

It was not right, he contended, to regard the Falklands campaign as a "one-off" affair when experience showed that so-called "one-off" situations could occur at almost any time in areas of vital importance to Britain.

He also questioned the theory that resources were not needed to ensure the safety of the shipping lanes from north America because any war in Europe would almost certainly be a short-sharp affair lasting only a matter of days.

Mr Callaghan said he was reinforced in questioning these assumptions because of the fact that Mr Nott had been appointed Defence Secretary because, unlike his predecessor Mr Francis Pym, he was prepared to operate within expenditure limits set by the Prime Minister.

It was because Mr Nott was unable to touch the Trident programme or cut the size of BAOR that it was intended to secure the whole of the planned savings in defence expenditure from the Royal Navy, with the surface fleet the main casualty.

Mr Callaghan recalled that a year ago he had refused to commit himself on the abandonment of Trident and promised to keep an open mind on the issue.

He explained that he had taken that position in the hope that it would be possible to find the resources needed to provide Britain with more balanced forces from elsewhere, but he had now concluded that this was not possible.

The course he now favoured was prolonging the life of the Polaris fleet for as long as practicable and then relying on the U.S. to provide the nuclear deterrent.

But Mr Callaghan emphasised that he was still opposed to Labour's idea of banning U.S. nuclear bases in Britain.

He maintained that the defence policy devised by Mr Nott would result in unbalanced forces with serious potential danger for Britain's safety.

Mr Callaghan endorsed the view that had there been time for Mr Nott's policy to have been carried into effect it would have been impossible for the navy to mount a task force such as that sent to the south Atlantic to recover the Falkland Islands.

Mr Callaghan criticised the service chiefs for failing to unite to oppose Mr Nott's policies. Instead, he said, there had been an unseemly scramble with each of them defending his own service. The navy had come off worst.

More details of the Falklands operation were disclosed by Mr Peter Blaker, Minister of State for the Armed Forces. He told MPs that Britain had suffered no losses in air-to-air combat during the campaign.

Reporting on the "outstanding success" of the Sea Harrier he said it shot down at least 28 Argentine aircraft —about 23 had been fast modern jets such as Mirages and Sky Hawks.

"Even when outnumbered by a factor of two-to-one, as was often the case, Sea Harriers continued to outperform and out-fight the Mirage and the Sky Hawk."

Mr Blaker, attributed the success of the Sea Harrier to a combination of a highly manoeuvrable and versatile fighter, a reliable and capable missile, the Sidewinder, and above all, the resourcefulness, skill and courage of the young pilots who had fought in the highest tradition, of the Fleet Air Arm.

Together with the RAF's Harriers they had accounted for a total of about 36 Argentine aircraft in the air and on the ground.

Mr Blaker said one of the most remarkable features of the operation for the RAF was the way in which air-to-air refuelling had dramatically lengthened its reach.

He cited the Hercules which had been making a regular shuttle of immensely long round trips to the Falklands and to the Task Force —the longest to date had taken 28 hours non-stop.

Noble lords invited to pub crawl

LAUGHTER broke out in the Lords yesterday when Ministers were invited to a pub crawl in the cause of research. The call came from LORD CHELWOOD (Con) who wanted a Government spokesman, LORD LYELL, and his ministerial colleagues to see for themselves the varying measures of wine sold by the glass.

Demanding Government action under the Weights and Measures Act, to bring in new regulations on wine sales, he said the Ministers should "come on a pub crawl with me so that I can show them the error of their ways."

Lord Chelwood pointed out that the British drank 105m gallons of wine last year.

Lord Lyell agreed that the Government was looking into reasonable ways of achieving regulated sales of wine by the glass. "It does require much consultation and it is difficult to obtain a reasonable measure of what constitutes a glass.

"I understand there are two measures, the Anglo-glass and the Euro-glass and the Euro-glass is naturally considerably larger than the other one."

Lord Lyell said he would be grateful to accept the invitation to a pub crawl, "but in a purely personal capacity. I would not wish to commit the Government in any such findings."

Cheers greeted LORD DERWENT (Con) when he asked: "Is it not patently clear this is one of the most important questions that has been put before your Lordships?"

BARONESS TRUMPINGTON (Con) asked if sherry was being investigated. "British Rail serve 14 glass of sherry out of a bottle, which is the equivalent of over £13 a bottle?" she said to gasps of astonishment.

Lord Lyell told her: "You are extremely lucky if you can obtain sherry on British Rail. I congratulate you on your good fortune.

LORD ARDWICK (Lab) complained of the "elastic restaurant carafe." It could vary from a niggardly half litre to a dangerously generous full litre."

Jobs loss fears boost youthful Aslef militancy

BY DAVID GOODHART, LABOUR STAFF

FROM the far end of the platform they looked like any group of teenage train-spotters. On closer inspection, the young lads gathered round the driver's cab turned out to be an Aslef flying picket.

Most were drivers' assistants in their late teens—"The ones who are going to lose their jobs if flexible rostering gets in," as 18-year-old Mr Rick Morgan put it.

They failed to persuade Mr Paul Padgett, the driver, not to take his train from Charing Cross to Hastings. "I like driving and I need the money," he said tersely.

But the pickets remained confident. "We persuaded one driver down at Clapham Junction not to take his train out earlier today," said Mr Steve Forey, secretary of the Aslef No. 1 region council in London.

The group said that billboard claims of "growing rail revolt" were nonsense.

"There may be more trains running compared to Monday but they have just got fewer drivers working longer hours," said Mr Steve Good, 24-year-old assistant branch secretary at King's Cross.

None of the young pickets could contemplate a collapse of the strike. "Almost the only ones going in are the old guys with only a few weeks service left," said Mr Good.

That was certainly true of the driver from Leicester — anonymous of course — who was keeping a few travellers at St Pancras happy. He did not claim to be working out of any great point of principle.

"I have got only three weeks left and anyway Ray Buckton does not pay the mortgage," he said adding that more than half of Leicester branch's drivers wanted to work — and did not really care if it meant the death of Aslef.

Most of the drivers taking an increasing number of trains out of the capital yesterday were not based in London, where the union remains pretty solid.

Kings Cross is a particularly militant centre, as I discovered in the local BR staff club where a group of drivers demanded my immediate expulsion from the club on discovering I was a journalist.

The young pickets were more approachable at Charing Cross as they sang their "anti-scab" song to a bemused Swedish journalist and any commuters who cared to listen.

The final refrain was a clear warning to any working drivers: "He thinks he's patriotic, he thinks he makes the country tick. But he'll have to understand that from the union He'll be banned . . . he's a blackleg, He's a scab . . ."

They then reverted to the cruder "We hate flexi-rostering" and went off to picket the extra coaches being laid on at Victoria coach terminal for BR Sealink passengers.

Before leaving, they explained in detail why flexible rostering would mean 4-to-12-hour days and not the publicised 7-to-9 hours.

Mr Good also explained that so many rail agreements hinge on each other that if the union gives way on the eight-hour day everything else—such as single-manning and no restrictions on mileage—would soon flood through.

He also predicted that with 30 per cent of drivers retiring in the next five years BR would soon be crying out for more drivers.

There was anxiety behind the strike euphoria. Mr Rick Morgan, 18, said: "If I lose my job because of flexi-rostering I'll be too old to get an apprenticeship anywhere else—so we've got to fight on this one." They were all convinced that the new rosters would mean up to 10,000 job losses in the next few years.

Nick Garnett writes: Train drivers at Bury and Bolton became the first two Aslef drivers to defy their union yesterday following meetings at the two depots which voted to resume normal working.

The ten-station 9½-mile route between Bury and Central Manchester was the first in the country in the present dispute to offer a virtually full service throughout the day.

More than 100 trains ran between Victoria Station, Manchester and the small industrial towns close to the Pennines compared with the 132 trains scheduled daily on the route.

Drivers at the Bury depot met late on Monday following a meeting with local management and took a majority vote to defy their union instruction.

Some drivers who had voted to continue the strike accepted the decision and operated trains yesterday. British Rail said it believed few drivers had decided to continue the strike.

Out of the 29 drivers based at Bury, a proportion of whom British Rail say are NUR members, 16 were working yesterday.

The 18 drivers based at Bolton also voted to work normally. Nine were doing so yesterday, including, it is thought, one Aslef branch official.

British Rail's Manchester division said it was running 200 trains yesterday compared with 70 on the previous day.

Only 33 drivers were reported to be working.

Industry adapts to life without railways

By Jim McDonald and Lynton McLain

INDUSTRY and commerce appeared yesterday to be adapting itself, without too much anxiety, to life without railways.

There are few commodities which cannot be moved by road, as British Rail has discovered in recent years. Much of industry had already made alternative road and air transport arrangements in advance of last week's short-lived strike by the National Union of Railwaymen. These arrangements have come into effect this week.

Heavy steel sections are dependent on rail transport and so are ore and coal. But the Central Electricity Generating Board has good stocks of coal and the weather is keeping domestic consumption low.

A lengthy strike, however, would have a "knock-on" effect on stockpiling for the winter, the Confederation of British Industry said yesterday.

Oil companies have switched scheduled rail custom to road transport. But certain chemicals depend on movement by rail.

Many companies, said the CBI yesterday, had made arrangements to stagger deliveries and collections of freight by road.

It may or may not be indicative of industry's reaction after the first three days of the strike, that it was not even mentioned yesterday at a meeting in London of the CBI's smaller firms council, where the state of trade was on the agenda.

Car sharing

In London, of all Britain's major cities, is most dependent on a suburban rail network for commuter transport. But with the Underground service operating this week and the growing use of car sharing and staggered hours, there has been high attendance in offices and factories. The London Chamber of Commerce and Industry has surveyed about 50 companies, large and small, this week. Attendances on Monday averaged at least 90 per cent and the Chamber believes it was even higher yesterday.

Some banks and other large companies have made hotel bookings for essential staff, but this is expensive and there has been increasing use of coaches. One company has hired cars for staff members to pool.

Few companies reported serious difficulties in movement of goods.

The National Coal Board received unconfirmed reports yesterday that "a certain amount of coal was moving by train," in spite of the strike by the majority of train drivers.

Seventy per cent of the NCB's annual output of 120m tonnes of coal usually goes by rail with 82m tonnes used by power stations. Yesterday there was effectively no bulk movement of coal, the Board said.

Order books

The NCB has spare capacity on its stocking land, able to take a total of 21-weeks of coal production.

The British Steel Corporation has felt little effect of the strike by train drivers so far. This is largely because most BSC plants are working at only 75 per cent of installed capacity, with much reduced order books and some steel products going by road.

The effects of a prolonged strike on the steel corporation are also likely to be mitigated by the start next week of the annual two-week holiday shut-down at works throughout the country.

At some BSC plants, steel workers are likely to be asked to take a third week of their annual holiday to allow plants to remain closed if the strike goes on for weeks.

Endurance delay 'causes worry to relatives'

THE MINISTRY of Defence has refused to tell relatives of the 124-man crew of the Falklands ice patrol ship Endurance, when they can expect to see their loved ones, Mr James Callaghan claimed yesterday.

Before the Falklands crisis, Endurance was due to be phased out and was to have returned to Britain in the spring. But when the Argentine invasion took place, Endurance stayed in the south Atlantic, joined up with the task force and last week was given an extended life patrolling the area.

Mr Callaghan said in the Commons that representatives of families of the Endurance crew had asked him to find out when the men would be home.

"They have been at sea continuously for nine months.

"Mr Callaghan said the Defence Ministry had refused to give a satisfactory explanation of the delay to relatives, who were anxious and worried.

Mr Peter Blaker, Defence Minister of State, promised to investigate.

Chancellor urged to resist calls for increased public spending

BY ELINOR GOODMAN, POLITICAL CORRESPONDENT

THE CONSERVATIVE Party's Right-wing yesterday made its first move in a campaign to stiffen the Chancellor of The Exchequer's resistance to demands for increased public spending this autumn.

Mr Ray Whitney (Con., Wycombe) and one of the leading organisers on the right, wrote to Sir Geoffrey Howe yesterday claiming that the "great majority" of Tory back benchers were behind him in his determination to "hold the line and adhere to the Government's counter inflationary strategy."

Another big increase in spending plans in this year's public spending review would, he said, jeopardise the Government's hopes of progress on either interest rates or the tax front, and would thus be "totally self-defeating."

Mr Whitney's letter comes at a time when Sir Geoffrey is facing demands for higher spending from a number of different fronts within the party.

In the short term, the Government faces a sizeable rebellion next week unless it agrees to make good the 5 per cent cut in the real value of unemployment benefit.

In the longer term, the Treasury faces a much bigger problem over demands from Mr John Nott, the Defence Secretary, for an increase in the present 3 per cent growth target for defence expenditure.

In his letter yesterday, Mr Whitney said that at present the Treasury appeared to be under even heavier pressure than usual to increase public spending. Clearly, the Falklands operation had created a need for additions to the defence budget and equally cogent arguments could be found for restoring the 5 per cent cut in unemployment benefit.

But most back benchers recognised, Mr Whitney claimed, that there were other priorities for the Government's financing which were almost certainly more important from the point of view of getting the economy right. These included cutting taxes, and helping to reduce interest rates.

"I hope therefore that all our colleagues will accept that to relax our strategy now would be to throw away all hope of restoring our economy to health."

The organisers of next week's potential rebellion over unemployment benefit believe that as many as 22 Tory MPs may be prepared to vote against the Government if the amendment relating to the cut is called. Technically this would be enough to defeat the Government, but the MPs acting as unofficial whips for the rebels fear that in the event there will be enough absentees on the opposition side to save the Government.

Acas to see Fowler after NHS union talks

TUC HEALTH service unions yesterday called on Mr Pat Lowry, chairman of the Advisory, Conciliation and Arbitration Service to intervene in the eight-week-old National Health Service dispute.

After 2½ hours in which the unions outlined their case, Mr Lowry agreed to make a renewed approach to Mr Norman Fowler, the Social Services Secretary, to find grounds for re-opening negotiations on the NHS workers' 12 per cent pay claim.

Neither side appeared optimistic last night about compromise proposals that would re-open talks.

At the weekend, Mr Fowler offered new talks if the unions called off their strike action, which has included four one-day stoppages and selective industrial action by individual groups of hospital workers.

But Mr Fowler made it clear that the Government was not prepared to improve on its latest offer of 7.5 per cent for nurses and 6 per cent for ancillary staff and other grades.

Mr Albert Spanswick, chairman of the TUC Health Services committee and general secretary of the Confederation of Health Service Employees, said Mr Lowry had not given any indication as to whether further talks were possible.

Mr Spanswick was insistent that the TUC's decision to seek the intervention of Acas was not an indication of weakness on the part of the unions.

"One has got to build a bridge and realise that we are responsible people, and we have regard for patients, the public and our members," he said.

Earlier this month, Mr Lowry —acting in a personal capacity —attempted to find grounds for renewed negotiations.

The TUC Health Services committee has already announced a three-day period of "intensified industrial action" for July 19 to 21.

On Monday, general secretaries, representing eight unions with members in the NHS, agreed during talks with Mr Len Murray, TUC general secretary, that vigorous attempts would be made to escalate the industrial action to include workers outside the NHS.

Du Cann backs idea of provisional budget

BY PETER RIDDELL, POLITICAL EDITOR

THE COMMONS should be given the power to alter the balance of public expenditure within the proposed totals for each Whitehall department, Mr Edward du Cann, chairman of the all-party Treasury and Civil Service Committee, argued last night.

Mr du Cann was giving evidence to the Procedure (Finance) Committee of the Commons which is investigating possible changes in the way that taxation, expenditure and borrowing proposals are considered by Parliament.

He was arguing in favour of proposals to have a provisional budget in November ahead of the normal spring budget, to allow time in the interim for the select departmental committees of MPs to make detailed recommendations about the Government's proposals.

Mr du Cann backed existing constitutional practice whereby back benchers cannot recommend an increase in public expenditure overall or higher taxes. His view was that the specialist committees should be able to recommend changes within the global totals for each Whitehall department—more on prisons, for example, and less on immigration.

But there should be no scope for increasing global budgets for any individual department, though the committees should be allowed to recommend cuts in the overall budgets of particular departments.

Members of the procedure committee, which is chaired by Mr Terence Higgins (C. Con Worthing) questioned him about the detailed implications of these proposals for the way that the Commons works, in particular whether there would be an overloading of existing committees and of MPs' time.

Mr du Cann stressed that the first priority was to ensure that the Commons exerted greater influence on the way that public money was raised and spent.

Edward du Cann: greater influence for MPs

In an earlier speech yesterday, to the American Chamber of Commerce, Mr du Cann tried to inject urgency in the campaign to secure reform. He said there was "a brilliant opportunity in this parliament to effect reform." Establishment of the new select committees had made a "notable impression" but were only a beginning.

"The real test of parliament's determination to get its house in order in accordance with its historic duty is whether we shall, in the next two years before the general election, reform our budgetary process in the way in which some of us on the back benches are determined upon."

Mr du Cann laid particular stress on the fact that Government's expenditure proposals were presented too late for the mto receive proper analysis by MPs before they were put into force.

"The estimates are too complex and illogical in their form to allow proper analysis or variation at the option of MPs and MPs are virtually excluded from exercising any influence over the strategy, which directs Government's proposals relating to revenue."

Ashley Bill would aid disabled

DISCRIMINATION against disabled people is just as big a problem in Britain as discrimination on grounds of race or sex, Mr Jack Ashley (Lab, Stoke on Trent South) said in the Commons yesterday.

He won MPs' approval for the introduction of a Bill to outlaw unjustifiable discrimination against the disabled, but the measure is unlikely to become law because of shortage of parliamentary time.

Mr Ashley said far too many disabled people were suffering from a denial of human rights and were being burdened with the duel handicap of their dis ability and totally unjustifiable discrimination. They were told by other people that they should stay at home and sometimes received the sack because workmates did not want to work with them.

Mersey dockers call quayside meeting

THE 250 Birkenhead dockers who are refusing to cross the Mersey to work in Liverpool will hold a quayside meeting this morning.

Shop stewards are to give a report on the outcome of talks into their claim for £1,500 compensation for upheaval and an annual travel allowance of £900.

The dockers are employed by the Mersey Docks and Harbour Company, which has closed its cargo-handling operation at Birkenhead on economic grounds. They company has offered the dockers a travel allowance for only the first four weeks after the transfer, which came into force on Monday.

The dispute remains confined to workers in Birkenhead where no ships are involved and the rest of the port worked normally.

Meanwhile day-long talks were held by the Port modernisation committee on the annual pay and conditions award for the Mersey dockers. The award should have been implemented on May 1.

No statement was issued, but negotiations will continue with both the port employers and the transport workers' union now anxious to reach a settlement.

One of the major outstanding issues is on flexibility of the number of men in a working gang.

Rig catering staff lift strike threat

By Brian Groom, Labour Staff

THE THREAT of a strike by 600 North Sea catering workers, which could disrupt 16 oil rigs, has been delayed for three weeks.

Shop stewards agreed yesterday at a meeting in Aberdeen to put to members without a recommendation a 7 per cent pay offer on basic rates and offshore allowance, with some improvements in working conditions.

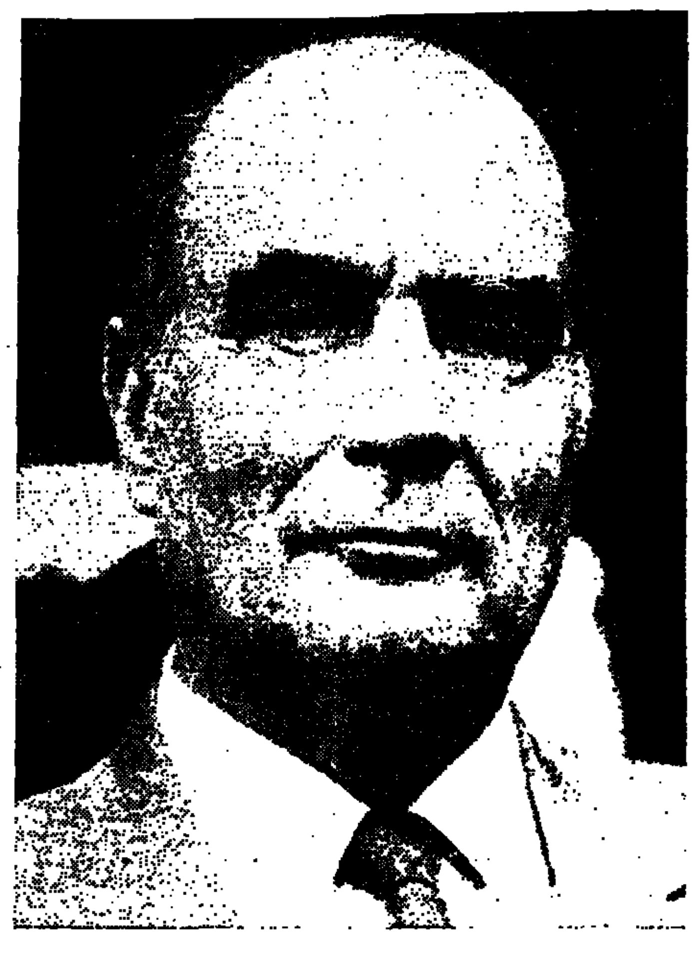
A strike was planned originally to start on Sunday night, but the offer was raised from 6 to 7 per cent after intervention by the Advisory, Conciliation and Arbitration Service. The unions had claimed 12 per cent.

FINANCIAL TIMES SURVEY

Wednesday, July 7 1982

FRANCE

A slow growing world economy has forced France's Socialist administration to devalue for a second time and introduce wage and price controls. The long term policy of rebuilding French industry through massive investment remains, however.



President Mitterrand: as the problems have thickened he has looked more serene and happy in office

Government makes early mistakes

BY DAVID HOUSEGO

IF YOU have not been in office for 23 years, mistakes are easy to make. The Socialists, who took office in May last year not really expecting to win the Presidential election and unprepared for power, have made plenty of them.

They badly misjudged the international economic environment. They thus brought on themselves a humiliating devaluation by reflating their economy while their competitors were deflating theirs. They engaged in an eventually untenable defence of the franc to the point of depleting France's foreign exchange reserves.

They have piled up for themselves an unnecessarily heavy load of debt by fully nationalising the major industrial groups and banks when they could have achieved the same goals by securing majority control.

Finally, they sought to create more jobs by cutting back the authorised week by an hour. But then President Mitterrand decided that employees should suffer no drop in pay from the change—thus destroying the job creation effects of the measure while adding to industry's costs.

The economic misjudgments and the failure to take decisions in time have been slow to catch up with the Socialists. President Mitterrand came to power on a large wave of popular sympathy (which he still enjoys) and of distaste for the abrasive style of former President Giscard d'Estaing.

His victory resulted from a preoccupation with issues of unemployment, working conditions and leisure time that did not really enter into M Giscard d'Estaing's harsher economic calculations.

Over the past year the French have seen their living standards continue to rise (both through increasing wages and substantial rises in social allowances), holidays lengthened and the working week reduced.

The revolutionary changes that some expected (and others feared) from a government that included the Communists have not occurred (though the rich are having to pay considerably higher taxes). In fact among the Left's supporters on the factory shop floor there has been impatience that nationalisation or new rights for workers have as yet changed little.

Disappointed

But overall it was probably true until a month ago that predominantly bourgeois France having voted for a radical government was — as one observer put it—" content to be disappointed by the Socialists' performance."

Almost certainly the Government will suffer a sharp drop in popularity as a result of the second devaluation of the French franc in June and the cut in living standards that is in prospect as a result of the current four months prices and wage freeze. The question now is whether it has fully taken on board the unpleasant economic realities of a slow growing world and is striking out afresh in the right direction.

Or will it veer from one expedient to another—on lines familiar to students of Britain's "stop-go" policies—with the risk against the background of France's more turbulent past of a radical explosion at the end.

It would be nice to say that realism has become the order of the day in this the "second phase" of the Presidency. But M Pierre Mauroy, the Prime Minister, has managed overall economic policy a little like a bull in a china shop—lunging first towards expansion before lurching back towards a prices and wages freeze whose severity has shocked even M Jacques Delors, the Finance Minister, long a protagonist of restraint.

M Mauroy now has the trade unions—with the partial exception of the pro-Socialist CFTD union—against him over the wages freeze. He has employers up in arms over the further squeeze on already much depressed company profits from the prices freeze. The Communists are uneasy at being members of a coalition imposing such unpopular measures. His own Socialist troops in the National Assembly are resigned to the measures as preferable to pushing up unemployment to 3m through the type of tough deflationary package that M Raymond Barre, the former Prime Minister, might have advocated.

The major compensation to the Socialists from the type of stabalisation measures they have taken are their hopes of salvaging their long term investment plans for the restructuring of French industry—hopes now entrusted to the new superministry of industry and research under M Jean-Pierre Chevenement.

The new policies however suffer from internal contradiction. The government is attempting to bring down inflation by deflating the economy—though it resists that label. But at the same time it wants to sustain the level of economic activity to maintain employment and investment. The measures have been initiated by a Socialist administration that is philosophically committed to consultation and negotiation. But rather like the introduction of the 39 hour week they are having to be imposed by legislation that suspends collective bargaining agreements.

The administration hopes that the freeze will be followed by a negotiated price and wage restraint over the next 18 months. But as every country with experience of it knows, getting out of a period of prices and wages freeze is the most difficult phase.

Will the Government hold out against wage claims by unions in the public sector that involve lengthy strikes? Will private sector firms be willing to risk a loss of market share by standing firm against strike action and a shutdown of production?

The Socialists' gamble is that they can eventually win the unions' support because the unions have more interest in working with a Government of the left and because purchasing power has gone up substantially over the last year. But the consensus in France grows more fragile with rank and file militancy on the increase in industry, racial violence surfacing in major cities like Lyon and Marseilles and the opposition now ready to pounce where the Government shows signs of vulnerability.

Controls

The risk is inevitably of a prices and wages explosion after the freeze or of the administration being drawn into widening the system of controls to temper new price and wage increases. A more interventionist regime would almost certainly be more protectionist as well. Failure of the stabilisation package would threaten a further devaluation of the Franc and the possibility this time that France would pull out of the EMS. On that horizon France could lurch to more radical policies.

M Mitterrand has not ruled out the possibility of failure from his calculations. He has tried to stand back from close involvement in the management of economic policy. It is increasingly accepted that if the stabilisation package does not work, heads will fall in the Cabinet.

M Mitterrand, however, has his eyes fixed on the longer term and on the rebuilding and upgrading of France's industrial capacity through massive investment. It is a vision located somewhere between the beliefs of M Jean-Pierre Chevenement in a Japanese-style co-ordination between industry and Government and the views of M Jacques Attali, the President's economic adviser, who holds that the market economy can no longer provide the impulse to the restructuring and innovation that is needed. Included in M Mitterrand's vision is a nostalgia for the high growth era of the 1960s.

As the problems have thickened so paradoxically has M Mitterrand looked more serene and happy in office. Long years in opposition have hardened him to adversity. But either he has remarkable confidence in his long term goals (as President for seven years he stands a chance of being around longer than any other Western leader and who can say with certainty that he is more wrong than Mrs Thatcher or President Reagan?); or he is somewhat out of touch with reality. There have been some signs of the latter this year — in the sumptuousness of the Versailles economic summit, for instance, or in his dogged determination to ignore the run on the franc.

M Mitterrand hoped that his European partners, as troubled as he about rising unemployment and social tensions, would be more prepared for concerted European action. That was unrealistic. Both the British and the Germans have remained sceptical of French economic policy—which has not prevented a renewal of strong Franco-German ties out of mutual interest.

But M Mitterrand has good cause for resentment towards the U.S. He came to power hoping to surprise a conservative U.S. administration nervous of the presence of Communists in the Government by the strength of his anti-Soviet credentials.

For if there has been a major change in French foreign policy it has been towards emphasising greater Western co-operation over security—as reflected in both the support President Mitterrand gave Mrs Thatcher over the Falklands and in proposing that Nato ministers should meet in Paris for next spring's ministerial meeting which they have not done since 1966.

But he has found (as others in Europe) the U.S. uncomprehending of the damage to European economies of high U.S. interest rates and the strength of the dollar. He is being pushed further by the U.S. towards cutting back trade with the Soviet Union than any French leader could accept.

He is angered by U.S. protectionist measures over steel at a time when he is attacked by the U.S. over French and European protectionism.

Both the Versailles summit and M Mitterrand's intensive international travels this year underline his Gaullist preoccupation with France's role and stature in the world. The sad fact is, however, that France will be judged internationally by the strength of her economy. It is weaker now that it was at the end of President Giscard d'Estaing's regime as the 18.5 per cent depreciation of the franc against the Deutsche Mark in the last eight months testifies. These are still early times in M Mitterrand's Presidency. But he cannot afford too many further economic misjudgments.

CONTENTS

Editorial production: Mike Smith. Design: Philip Hunt.

Immediate future likely to be overshadowed by unemployment

Unions remain wary of Socialists

"THE SOCIALIST experiment cannot succeed without the support of the trade unions," M Jacques Delors, the Finance Minister, said in a newspaper interview earlier this year. "If they prefer a return of the Right, they have only to carry on as they are doing."

A consensus with the main union federations — which, after all, supported the Left's election effort last year — is devoutly wished but the unions have all kept their distance. In an unsettled labour climate marked by a series of muscular strike movements, notably in the motor industry and at the state-owned bank Société Générale, the failings of union-government teamwork were acutely shown up by the post-devaluation wage freeze.

President Mitterrand, who is said to have asked his Cabinet on several occasions how it came about that the Government's relations with the unions were not better, had already proposed a "round table" discussion. Once the wage-freeze plan had been sprung on the unions, the round table, rather than laying the basis of an understanding, ended up demonstrating the absence of one.

Consultations

The event coincided with the CGT union congress in Lille. The leaders of the Communist-dominated confederation — the only one in France to have more than 1m paid-up members —blew alternately hot and cold on government policies; the audience of delegates blew mostly cold.

After an inauspicious start, consultations on a national level are condemned to continue through the period of the wage and price freeze — and afterwards. The Government, which has gone some way towards satisfying union demands on low pay, on working hours and on workers' rights, will have to work out some balance between "social justice" and the "acquired advantages" to which the majority of unions are firmly attached.

Although a number of unionists were brought into the top staff of Ministries last year, links between the unions and the Socialist majority are tenuous and many in the unions are suspicious of Socialist intellectuals and technocrats.

Divisions between the unions, which have become worse since the late 1970s, make matters difficult for the Government. Unlike the Left-wing political parties, they are not bound by any patched-up formal alliance. The first Labour Day of the Fifth Republic's first Socialist Government saw all the unions marching in separate parades.

Their conflicting approaches were at least partly responsible for the botched handling of the reduction in the basic working week to 39 hours. After a remarkably rapid agreement on principles last July, the question had eventually to be settled by decree, with little hope that the measure would lead either to an increase in jobs or to an improved use of machinery, as intended.

In the same way the Government has been obliged to draw up a series of compromises in its legislation on workers' rights. On the key issue of workshop councils or other new forms of industrial democracy in the private sector it has given the different partners three years to discuss the alternatives—in the hope, once more, of a fruitful initiative from the unions.

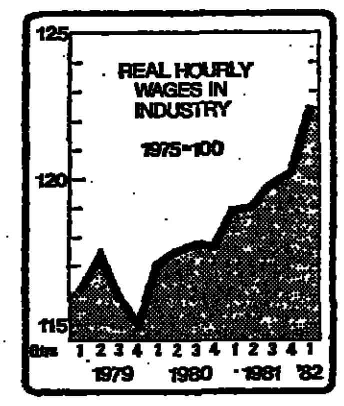
The problems are largely inherent in the union structure. The national confederations are each more tightly knit than the British TUC but there are half a dozen instead of one.

The unions closest to the Government are the teachers' body, the FEN, whose former leader M André Henri was appointed to the Government last year in the originally entiled post of Minister of Free Time, and the CFDT, one of whose former top officials, M Michel Rolant, was recently put in charge of the Government's Energy Control Agency.

The CFDT, with a more moderate but also more imaginative line than the rival CGT, would have liked to strike up a privileged relationship with the Mitterrand administration. But its close connections with one particular Socialist faction—that of M Michel Rocard, the Planning Minister—gets in the way of this.

Its leader, M Edmond Maire, preaching "a policy of truth and rigour" which made him in the eyes of some "more Royalist than the King," scored a considerable success at the union's recent congress in Metz by securing a solid vote of confidence and keeping most of his leadership team together.

But internal divisions were also very apparent. M Maire was attacked, for instance, for watering down the demand made at the last congress in 1979 for a 35-hour week without loss of pay. When the leadership proposed a threshold of FFr 3,900 (£330) a



month, below which workers should not lose pay for working a shorter week, delegates voted to double the level so as to cover some 70-75 per cent of private sector employees.

As a trade-off against any sacrifices to be made on the wage front the union is pressing for rapid progress towards the 35-hour week, for a reduction in disparities between different categories and for an advanced degree of worker participation in the management of the nationalised sector.

One of the key differences between its policy and that of the CGT is that the CFDT does not insist on the maintenance of "acquired rights" as a precondition for any progress.

The CGT, firmly set against the concept of "austerity," is hoping to use its tougher line to strengthen its position, particularly in the nationalised companies.

The organisation has been going through a crisis of support. Membership has fallen well below the 2m-plus which it claimed five years ago. In shopfloor elections — which, more than membership, are the real test of union influence — its performance has been mixed; but it has lost ground in many sectors and in some of its traditional bailiwicks such as Renault. After a strike at Flins, west of Paris, it lost its majority or the first time in a Renault plant.

At the Talbot car plant at Poissy — another scene of conflict — its bitter opponents in the management-backed CSL union have lost some ground but mainly to the CFDT.

The CGT has paid the price for following the Communist Party into its political "ghetto" in the later years of the Giscard administration and more recently for its soft line towards the Polish authorities.

The union itself blames the drop in membership on the rise in unemployment. Its decision not to take up the idea, launched in 1978, of more open leadership, appears to be confirmed by the appointment of M Henri Krasucki as the new secretary-general, a man regarded as a party hardliner.

The CGT, present above all in the public sector but also in a wide range of small companies, is not alone in having membership problems and would benefit along with the others if there were a union resurgence as there was at the time of the pre-war Popular Front.

While the CFDT lays siege to CGT strongholds — particularly where there are large numbers of immigrant workers — the CGT fights back by playing on CFDT divisions. But in many conflicts the two find themselves side by side.

The gulf between them and the moderate unions has, if anything, meanwhile widened. Suspicious both of Government promises and of the prospects of "direct democracy" on the shopfloor, the moderates now form a joint front. The chief among them, Force Ouvriere, is nominally under Socialist leadership but has always been wary of global political stances, concentrating on individual disputes and sticking firmly to a defence of real earnings.

New openings

The immediate future is likely to be overshadowed by unemployment. The Government target of stabilising the jobless rate at around 2m in the middle of the year and then bringing it down appears to have been missed.

The costly "solidarity contracts" that are aimed to provide 100,000 new jobs by the end of the year have so far created few genuinely new openings. Of the two proposed formulas — early retirement measures or a cut in working hours—most companies, including Renault, have opted for the former, which means that their total employment remains the same.

A senior CGT official, M René Lomet, has forecast more disputes next year over the conditions for a further one-hour reduction in the basic working week. The union will clearly not be dissuaded from flexing its muscles in the way it did in the recent Citroën dispute. But with the Communist Party banking on remaining in the Government alliance at least until next spring's municipal elections, it is likely to seek no more than limited warfare. As the leadership made clear at the CGT's June congress, it wants to keep its bridges with the administration open.

David White

Electronics sector viewed as 'weapon for the future'

"PRIORITY will be given to industrial investment and the biggest priority of all will be placed on electronics. It is our weapon of the future."—President Francois Mitterrand. "If we had to single out one industry for a concerted development effort, that could only be electronics." — M Jean-Pierre Chevenement, now Minister of Industry and Research.

The tone of these two remarks shows why the Socialist Government is now preparing to put its biggest and most elaborate research and development effort in industry into the electronics sector. The old policy of highly selective and limited investment—the so-called "market niche" approach —is being abandoned. France is now switching to a global attack in the belief that electronics-based products hold the key to the development of most of manufacturing industry in the future.

This policy is based on a very broad definition of electronics. Using the new policy vogue word *"filiere,"* meant to describe a chain of related processes, a recent report on the electronics industry came to the conclusion that French production in this sector amounted to about FFr 96bn (£8bn) last year. To reach this figure is included such diverse activities as office equipment, measuring products, telecommunications and information systems as well as base electronics components and microprocessors.

Scepticism

The report, prepared for M Chevenement, a Marxist-oriented intellectual and a highly interventionist Minister, is to provide the basis for a development plan which will undoubtedly be the most crucial element in France's industrial policy during the current presidency. M Chevenement has already presented his broad aims: he wants to push France to third position in the world league behind the U.S. and Japan, increase research and development spending from FFr 12bn (£1bn) in 1980 to FFr 20bn (in constant currency terms) in 1986, turn the trade deficit into a favourable balance of FFr 36bn (£3bn) and create around 200,000 jobs.

In the face of considerable scepticism about these plans, M Chevenement is resolutely confident that France has both the financial means and the enterprise to muscle its way into a much more commanding position in the world electronics league. Nationalisation has also given him the means to support his belief in the global mobilisation of the country's resources. Almost 50 per cent of electronics manufacturing in France is in the hands of the state sector, and 90 per cent of research.

Work on France's national telecommunications satellite equipment at Matra, the diversified defence and electronics group. The state earlier this year took a 51 per cent controlling stake in the company

ELECTRONICS 1980
(Frs bn)

	Production	%	Market	%	% of GDP
U.S.	668	46	648	45	3.5
Japan	228	16	164	11	3.7
West Germany	83	8	113	8	3.3
France	74	6	82	6	3.0
World	1,450	100	1,450	100	—

Source: Dieli-Fiee.

Nevertheless, as the report makes clear, France recognises that it faces problems of size against industries supported by big markets like the U.S. According to the study, France occupies fourth place in the world production league at present, behind the U.S., Japan and West Germany. But its output, at FFr 83bn (£7bn) in 1980, was totally dwarfed by that of the U.S., which had a production of FFr 668bn (£56bn) and was a long way behind Japan's (FFr 228bn).

In addition, the big French companies are much smaller than their American rivals, and come well behind the larger Europeans, such as Philips and Siemens, or the leading Japanese like Matsushita and Hitachi. They are also notably weak in some specific sectors, particularly consumer electronics, mass-market semi-conductors and sophisticated office equipment. Their strength lies in defence-related products, professional electronics and telecommunications.

The report suggests four main reforms to cope with these weaknesses.

● It wants to see more money spent in this sector. The broad target is for a rise of about 50 per cent in real terms, mostly financial through the already planned and scheduled increase in research expenditure.

● It proposes some reorganisation of the companies that have come into the state sector, so that "Franco-French" competition, as it calls it, is reduced in areas where international competition is already fierce. This suggests that in most key industries national leaders will be designated and the industry grouped around them, a process that has already been pushed through in some areas.

● The report argues that there is scope for more European co-operation in certain fields. In particular, the French are believed to be aiming at joint ventures in consumer electronics, where Thomson has made a push with products like TVs, but is finding its base too small in the face of Japanese competition.

● The fourth reform element, the launch of a number of "national projects," is however, likely to prove the most important. These projects are designed as a way of concentrating resources and overcoming the problem their limited availability. They would bring together public and private research laboratories, the universities and industry in coordinated and pre-planned development schemes. Products created in the laboratories would then be handed on to industry for detailed development and commercialisatior.

France already has long experience of this type of marriage between the laboratories and industry. Some sectors, like the oil industry or telecommunications, already have their own publicly funded central research laboraties, which work specifically on industry-orientated projects. In telecommunications, for example, the E10 electronic exchange system, which has enabled CIT-Alcatel to become a major competitor in world markets, was first developed in the central laboratory before being handed on to the company.

In the electronics report, 14 different and highly specific ideas are suggested as areas where national projects might be launched. These include schemes for a big scientific and industrial computer, for new visualisation methods, for word treatment systems and for computer-assisted translation.

The report suggests that all the ideas should go through a two to three-month screening process to decide on priority areas, with the survivors then being taken on for a one to three-year prototype development period. It says that the concentration of resources in this way would imply reductions in spending on other areas.

Even before the Government makes its final decisions on this report, due during the summer, M Chevenement has made it clear that it reflects the main lines of his strategy.

A number of broad priorities have also been established. For example, in the telecommunications sector the Government has indicated that it wishes to maintain two main companies, CIT-Alcatel and Thomson, but that there is no long-term future for the third unit, CGCT, which belongs to ITT.

Some tricky problems, however, remain to be resolved. In semi-conducter fabrication there are four main operations in France, while in the office equipment sector there are at least as many rival companies all jealously guading their interests.

Defining the national projects and committing them to specific companies will therefore require a major effort of rationalisation. With such a delicate problem of industrial management bound up in the success of the electronics plan, it is small wonder that the Government should be thinking of setting up a seperate Ministerial department to run it.

Terry Dodsworth

Banks' independence under threat

ON FEBRUARY 12, M. Jacques Delors, the French Finance Minister, wrote to each of the chairmen of the newly nationalised banks assuring them of total independence of management of the institutions they had just taken over.

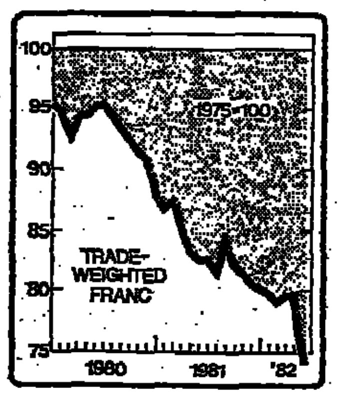
Three months later—with M Delors out of the country—the Cabinet appeared to go back on this undertaking when it decided that the Budget could bear no more than FFr 3bn of the additional FFr 9bn to be made available this year to the newly nationalised industries. The banks learnt in a communique issued after the cabinet meeting that they would have to provide the rest.

French banks have long been used to nudging from the state over whom to lend to and on what terms, but the brutality of the cabinet directive and the size of the sum involved came as a shock. The FFr 6bn is not far short of the estimated FFr 7.3bn net (after tax) profits made by the French banking sector as a whole in 1981.

Since then the banks have been involved in tricky discussions with the Government over the terms on which they will make the funds available and on safeguarding their battered credibility as independent financial institutions.

Half of the FFr 6bn involved is likely to be provided in subordinated loans, mainly to the steel sector, with a minimum guaranteed rate of interest over the first five years of 5½ per cent. The banks jibbed at taking an equity stake in loss-making sectors such as coal and steel.

The other FFr 3bn is likely to be provided as risk capital through a yet to be established state holding company with an initial capital of FFr 6bn. The scope and powers of this investment institution are still unclear but for the banks its attraction is that it pools the risk of holding shares in state enterprises.



It is also hoped that a stake in such a financial institution (possessing itself a diversified portfolio including shares in some of the most profitable nationalised institutions) will help safeguard banks' credit rating when it comes to borrowing abroad.

The banks insist that this raid on their funds to reinforce the capital structure of the nationalised industries must be a once and for all operation. This is certainly the view as well of the Ministry of Finance which has always insisted that the nationalised banks must operate on commercial criteria, be profit-minded, pay dividends and strengthen their capital ratios—notoriously weak in France by international standards.

The trouble is that there is no guarantee that it will not happen again or that the banks will not be milked to make good shortfalls in the Budget or prop up lame duck industries. In fact there is a strong lobby within the Socialist party which believes that the nationalisation of the banking sector would serve no purpose unless it was to channel more funds towards longer term lending to industry. Behind this attitude lies a long historical prejudice against bankers and financial institutions which makes them "easy prey."

Banks have also had to work under another serious (and interventionist) constraint over the past year. This has been the result of the authorities holding the base bank lending rate (about 14 per cent) some 2-3 percentage points below the day-to-day money market maintained at a high level in support of the franc.

Most severely hit have been banks without a substantial deposit base—the foreign banks and French banks such as Indosuez, Paribas, Worms and Credit Commercial de France (CCF). The structure of rates has meant that their cost of resources through the money market *is* potentially higher than the price at which they lend.

The banks which have escaped this trap have been those with large deposit bases—Credit Lyonnais, BNP and Credit du Nord for instance. In fact their cost of funds has been reduced by the limitation placed last September on the interest banks can pay on term deposits.

Overall net bank profits rose by under 10 per cent last year as compared with over 30 per cent in 1980. Higher earnings on international operations were offset by increased provisions for bad debts (both on domestic lending and overseas in the case of East Europe and Argentina), the discrepancy over money market and bank lending rates, and higher taxes.

Grievance

Losses incurred through the mismatch in interest rates have been a major grievance of foreign banks dependent on the money market for their French operations. In contrast to the rush of foreign banks to France over the past decade — 122 had been established by the end of 1980 — only one new bank has opened in the past year. A further source of complaint for both foreign and domestic banks has been the impact of the system of "encadrement" which limits the pace at which banks can expend their lending.

The Government has got itself into a muddle over it. On the one hand it wants tight control over bank lending as part of its anti-inflationary policies—which implies penalising banks who lend beyond the "encadrement" limits. On the other hand, it is anxious that banks should meet the pressing short-term liquidity needs of industry to prevent a further increase in bankruptcies, while at the same time encouraging banks towards more long-term lending. The "encadrement" system is cracking under the strain.

It is still far from clear what the shape of a Socialist banking system will be or how the character of individual institutions will emerge. Mergers are clearly in the air to group banks with large deposit bases and those dependent on the money market for their resources. The Government is slowly carrying out what is called a "banalisation" of the banking sector—essentially an attempt to put France's diverse banking institutions on a more equal and competitive footing. Thus the new indexed linked savings certificate — the "Mitterrand bond"—is being made available through specialisted institutions like Credit Agricole and Credit Mutuel as well as through the deposit banks.

The new banking law promised for this autumn seems likely to be no more than a technical measure. M Delors is for slow change rather than root and branch measures but the identity of banks is changing under new leadership. Société Generale, for instance, is losing its reputation as an aggressive profit seeker—taxation and other state levies on the banks have inevitably diminished the attractiveness of the profit motive. In addition the efforts of the former chairman M Maurice Laure to make of Société Generale a leaner, more cost-conscious institution have landed his successor M Jacques Mayou with almost continual labour agitation since he took office.

A major concern of the Government remains the encouragement of long term savings to be channelled towards industry. An officially commissioned report on savings by M. David Dautresme, now head of Credit du Nord, and published earlier in the year emphasised the importance of retaining an interest rate structure that provided a significant real return for investors.

It has been on this basis that the domestic bond market has fast expanded in recent years from FFr 65bn of new issues in 1979, to FFr 111bn in 1980, to FFr 106bn last year and an estimated FFr 130bn this year.

By comparison new share issues brought in only FFr 23bn last year—although this was a rise of 10 per cent on 1980. As a result of both nationalisation and dividend control, risk capital for industry is likely to be more difficult to raise in future.

David Housego

The headquarters of Banque Nationale de Paris in Boulevard des Italiens. BNP ranks third in the latest Banker Magazine list of the world's top 500 banks (behind Bank America and Citicorp) with assets of $106,731m. Three other French banks, Credit Agricole, Credit Lyonnais and Societe Generale appear in fourth, fifth and seventh places respectively

Anglo-French relations

Mitterrand keen to co-operate

"CES SACRES ANGLAIS!" this rather ambivalent headline ran over a French magazine article about Britain, just as the Falklands crisis was coming to a head. Apart from the sense that the people across the Channel never cease to astonish, it is hard to measure in what proportions the expression conveys admiration, gentle mockery, or abuse.

Much the same kind of ambiguity has characterised recent French attitudes towards Britain, both in the Government and in the public at large.

To the surprise of some, the Mitterrand administration expressed its "solidarity" with the UK from the first day of the Argentinian invasion of the Falklands, and stuck to that position throughout. Supplies of French arms, which proved to be such an effective part of the Argentines' arsenal, were immediately suspended.

True, public opinion polls showed that the Frenchman in the street had no desire to become involved in Britain's war; true, the Communists were letting the government side down by going on about Britain's "colonialist adventures"; true, the Government itself became increasingly worried about incurring further damage to its already unsettled relations with Latin America; and true, somebody leaked a confidential note in which M Claude Cheysson, the External Relations Minister, spoke in disparaging terms of "the self-importance of the former colonial power, its instinctive, elementary contempt for what these Latins, these flashy foreigners have to say. . . ."

Nevertheless, the French position appears to have been greatly appreciated in London.

Headlines

The war went on long enough to outlast in the French headlines the latest nadir of Anglo-French relations, the majority-versus-one vote on EEC farm prices in May. If some people in Britain perceived this as a "stab in the back" perpetrated mainly by the French, in France it resurrected all the old arguments about whether Britain is really European at all.

President Mitterrand issued a statement from Algiers saying that the issue raised questions about Britain's role and, if these were not resolved, about its future "presence—or the nature of that presence—in the Community."

The phrase between dashes appears to have been inserted by M Cheysson, who went on —at the next stage of the President's African tour—to talk about "adjustments" to UK's membership terms and the "bags of ideas" he had on the subject.

What these statements seemed to be hinting at was a special status for Britain, more than the associate membership which de Gaulle proposed and London refused 19 years ago, but less than its current full membership with a stake in all the EEC's institutions.

Could this mean running the common farm policy without Britain? "If that's the case," volunteered a senior British diplomat, "then they haven't thought it through. It would be like having nine shopkeepers in a street, with their shops bulging with unsold produce, refusing the one customer to come along."

But it was not a spur-of-the-moment French idea. Similar thoughts about Britain's European ties emerged, by way of a high-level leak, two years ago under President Giscard d'Estaing.

Pressure

It is still unclear whether the French really have a plan up their sleeves, or whether these statements—in M Mitterrand's case, the strongest by a French President since Britain joined almost 10 years ago — were principally a means of exerting pressure, a precautionary stance in case the UK decided not to apply the new common farm prices, or to withhold payments into the EEC budget.

In the event, the following week's agreement by Britain to a one-year budget settlement meant that French sympathies were not put to the final test.

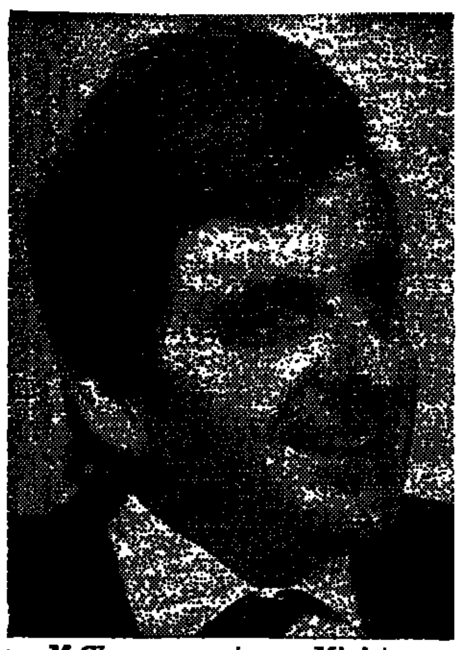
But Anglo-French cohabitation within the Community still has to steer between a number of reefs: the question, opened up by the farm price row, of what decisions need to be taken unanimously, the issue of Britain's medium-term budgetary arrangements, which comes up again later this year and the whole subject of the Community's future.

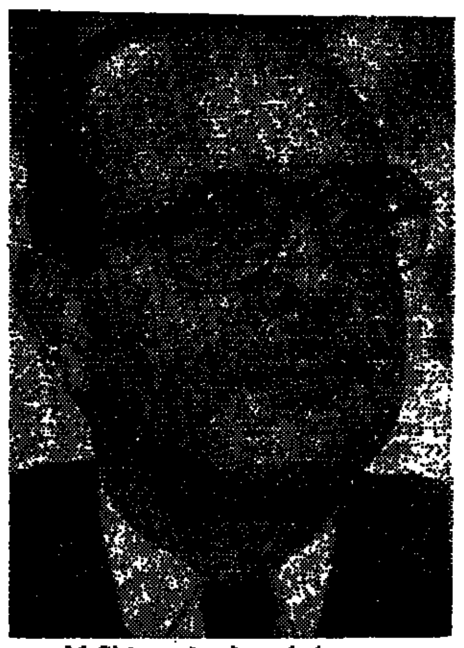
Economically, the two Governments remain either side of an economic divide, and French ideas for the EEC smack suspiciously to the British palate of dirigisme and protectionism.

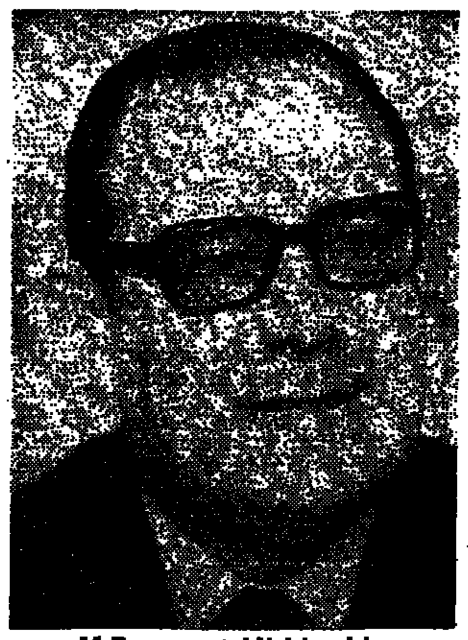
However, both are keen on political co-operation. The Falklands crisis gave the Mitterrand administration its opportunity to show good intentions in this respect. So, in a more oblique way, does its stance towards the U.S. and Nato, touching on what has long been one of the main foreign policy gaps between Paris and London.

Nato foreign ministers are due to hold their spring session in Paris next year, for the first time since de Gaulle took France out of the integrated command structure 18 years ago. For its sensitive domestic audience, the Government has played the event down, saying it is "just our turn." But it is an interesting coincidence that the announcement should have been made at the most acrimonious stage of the farm and budget squabble.

David White


M Chevenement: new Minister of Industry and Research


M Chirac: leader of the neo-Gaullist RPR Party


M Barre: establishing his presidential credentials

Socialist-Communist coalition must now expect to do badly in the spring municipal elections

Left braced for losses

HAVING elected M Francois Mitterand as President in May last year and given the Socialist Party an overwhelming majority in the National Assembly in June, the French expected a lengthy respite from political conflict. Two events suggest the respite will be brief.

In by-elections to the National Assembly in January and in the cantonal (local) elections in March, the Socialists emerged as unexpectedly vulnerable. In the four by-elections they lost three seats they had won in June but in which the results were overruled by the Constitutional Council.

In the cantonal elections the swing was far greater. The combined left-wing parties (including the Communists) were deprived of outright control of nine of the 44 departmental assemblies they held—leaving them in a majority in only 35 of the country's 95 departments. The combined Gaullist and centrist parties polled 59 per cent of the vote indicating that middle-of-the-road voters who had opted for the Socialists last year have moved back to the centre.

The second event was the devaluation of the franc last month and the prospective drop in real incomes as a result of the wages freeze. These are issues which deeply touch both French prestige and pockets and which have at last given the opposition a platform from which to mount an attack.

M Jacques Chirac, the leader of the neo-Gaullist RPR Party, used the subsequent censure debate in the Assembly to pin economic failure on the Socialists and stake out his claim to be the main opposition leader. He even sketched an alternative programme including a phased three-year return to a balanced budget and lower taxation. M Raymond Barre, the former Prime Minister, has also with quiet authority been establishing his credentials as a presidential candidate.

Still out in the wilderness and bereft of public sympathy is ex-President Giscard d'Estaing. But his quarrels with M Chirac, which undoubtedly helped lose him the election, have so far not stood in the way of far closer co-operation between the parties of the centre and the right.

The next major electoral test for the Socialist-Communist coalition will be the municipal elections in the spring. These are crucial to both parties in strengthening their local base—and have become more so as a result of the additonal powers the municipalities will obtain through the Government's decentralisation measures. The left must now expect to do badly in the municipals and will be fighting to minimise its losses.

In his provisional timetable M Mitterrand planned to replace M Pierre Mauroy as Prime Minister and carry through a major cabinet reshuffle. But the present administration could be scuttled earlier if the stabilisation measures prove a flop.

After the municipals the Communists are likely to make their decision on whether to quit the coalition. The Communists have felt increasingly uneasy in a government with which they have disagreed about Poland and with whom they are now associated in imposing an unpopular wages freeze on their own rank and file.

M George Marchais, the party leader, made his strongest yet criticism of the Government last month when he said that the party could "in no way approve" a wages freeze. But the Communists insist they are still loyal members of the alliance. With their share of the popular vote reduced to 13 per cent during the cantonals after polling over 20 per cent in the 1970s, pulling out now could risk electoral disaster.

The blows to the economy have also intensified the strains within the Socialist Party. M Michel Rocard, Minister of the Plan, and leader of the Socialist Democrat faction, has been openly critical of the content and the presentation of the stabilisation measures. The Ceres group, of which M Jean-Pierre Chevenement, now elevated to the post of Minister of Industry and Research, is the head, remains distrusted by M Mitterrand.

Even M Mitterrand's own followers—the largest group among the Socialist deputies in the Assembly—have been voicing their bitterness about being kept in the dark over policies.

M Mitterrand's hope is that his economic policies will bear fruit before the 1986 legislative elections. If the Socialists should lose those, he would have a rough ride in the last two years of his Presidency.

D.H.

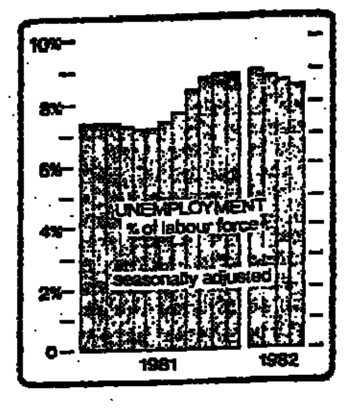
GNP falls as economic plans come unstuck

M JACQUES DELORS, the Finance Minister, curtain raised the post devaluation stabilisation package by describing it as an "electric shock" intended to jerk France out of its bad inflationary ways. But the real shock for the Socialists this year has been how badly their economic plans have come unstuck.

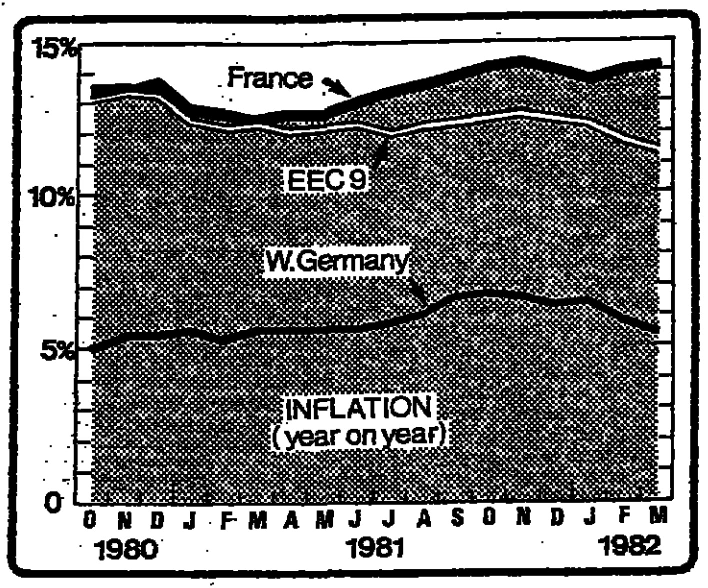
REAL GNP (% change)

	Annual average 1963-72	1978	1979	1980	1981	1982†
France	5.5	3.7	3.5	1.2	0.3	2.1
West Germany	4.5	3.6	4.4	1.8	−0.3	1.0
U.S.	4.0	4.8	3.2	−0.2	2.0	−1.0
Italy	4.6	2.7	4.9	3.9	−0.2	2.3
UK	3.0	3.6	2.0	−1.6	−2.1	0.8

† Forecast. Source: IMF.



The government's economic strategy was based on an expansionary 3.3 per cent real growth in GNP for 1982 to boost jobs and lower unemployment. Increases in the minimum wage and social allowances in July last year were followed by a budget for 1982 that raised expenditure by 27 per cent. The gamble was that a consumption-led recovery would be sustained by a growth in exports from an anticipated pick up in world demand and by an increase in investment.

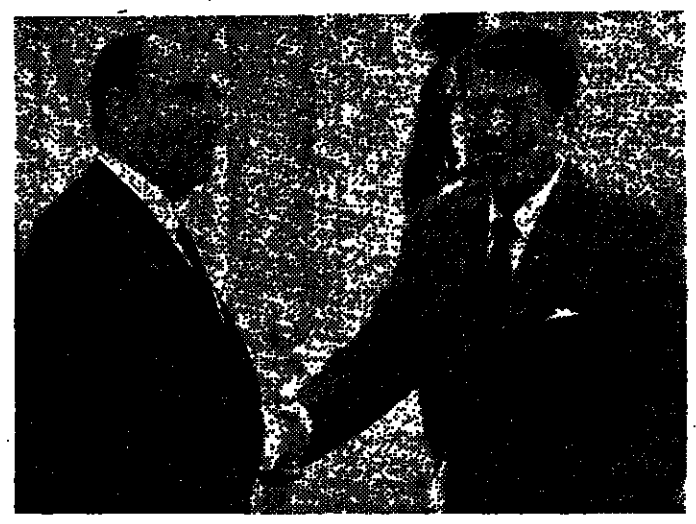


Events turned out very differently. After a year long recession, real GNP moved upwards from the second quarter of 1981 to achieve an annual rhythm of 3 per cent over the six months to the autumn. The acceleration in growth thus began before the Socialists took office and coincided roughly with their first six months in power. The economy then began to slow down with real GNP actually falling 0.1 per cent in the first quarter of 1982.

Behind this drop in activity lay a virtual stagnation in industrial production. By the end of February the industrial production index had fallen back to its February 1981 low — or 11 per cent down on its peak of mid 1979.

Investment

The continuing increase in real household incomes (rising 2.5 per cent annually both this year and last mainly as a result of increased social allowances) has been the major factor sustaining the economy. By contrast industrial investment (including housing) fell 3.5 per cent in volume last year, and even before the devaluation was expected to slip further this year.


Presidents Mitterrand and Reagan meet at the Versailles Economic Summit earlier this year. France was able to emphasise its stature in the world by hosting the conference but in the end the country will be judged on how it strengthens its faltering economy

On the external account exports, which rose sharply in the first half of 1981, dropped back almost as dramatically in the last quarter of the year and the first quarter of 1982 — some 6 per cent down in volume terms by March from mid 1981. The sharpest falls were in cars and transport equipment seemingly reflecting a loss of competitivity with France's major rivals.

By contrast the Government-inspired boost to consumer demand benefited imported manufactured products more than French industry. Foreign penetration of the French market for industrial goods reached a new peak of 27 per cent in the final quarter of last year. Over 1981 as a whole imports covered a staggering 50 per cent of the increase in consumption of manufactured goods as compared with a ratio of 25 per cent of imports to consumption for the year as a whole.

Both trends accelerated a widening of the trade deficit which for the first five months of the year reached FFr 30bn on a seasonally adjusted basis as compared with FFr 17.9bn for the same period last year.

The slower than expected growth in the economy produced a fall in Government tax receipts which further exacerbated the budget deficit. By comparison with the planned FFr 95bn deficit for 1982 (itself already well up on the FFr 78bn last year and the FFr 30bn in 1980), the actual deficit this year appeared to be heading before the devaluation for the FFr 125bn level.

In addition, the estimated deficits in the separately managed Social Security and Unemployment Benefit funds were expected to reach a combined FFr 70bn by the end of 1983.

The rise in the budget deficit—financed largely out of the increase in Treasury bills—offset the measures the Government took in the wake of the first devaluation in October to bring down the level of inflation. By April prices were again up 13.9 per cent on the 12 month period—leaving a gap of nearly 9 per cent between France's inflation rate and that of West Germany.

The combination of these trends—leaving France out of step with her competitors over the direction of her trade and budget deficits and her inflation rate — had already by March resulted in renewed pressure on the franc. Between February and the second devaluation on June 12, the Bank of France spent FFr 45bn-50bn in intervention in support of the currency.

In the end the exhaustion of the reserves determined the timing of the realignment. The French franc was devalued by 10 per cent in relation to the DM, which together with the first devaluation, made for a depreciation of 18.5 per cent since October.

The June devaluation marked an abrupt and humiliating end to the Government's attempt to pursue an expansionary economic policy in the face of the deflationary policies of France's main competitors.

With the new stabilisation measures the priority of policy has shifted towards bringing France's inflation rate closer to that of her competitors—the Government's aim is for 10 per cent this year and 8 per cent in 1983. Paradoxically France is thus entering a period of deflation as other western economies are looking to a pick up in demand.

Price freeze

In opting for a prices and wages freeze as the main instrument of the stabilisation package, the Government hopes to achieve a deceleration of prices without cutting into its heavy investment programme for the renewal of French industry.

The budget deficit is to be held to 3 per cent of GDP this year and in 1983—respectively FFr 107bn and FFr 120bn—by cuts in current expenditure. Employers' and wage earners' contributions to the Social Security and Unemployment Benefit funds are to be raised to help bring them back into balance.

Are the measures sufficient to avoid a third devaluation in the near future (and possibly France's departure from the EMS)?

Price and income freezes have had scant success in France in the past. The risk is that a four month freeze will be followed—not as the government hopes by 18 months of negotiated price and wage restraint—but by an acceleration of prices and wage increases.

Unions are loathe to accept the loss of purchasing power implicit in the freeze, or over the longer run to give up the system of virtual indexation that has long ratcheted wages up with inflation.

Industry is anxious to raise its prices both to recover the increased costs of imported materials and to rebuild its profit margins. The combination of higher financial charges, new tax and social security bills and additional costs resulting from the introduction of the shorter working week and longer holidays have squeezed company profit margins probably to their lowest level since the war.

The size of the budget deficit continues to be a factor of inflationary pressure. It is by no means certain that the Government will be able to hold to its planned ceilings. Cuts in current expenditure will in part be offset by the increased subsidies needed to hold down the increases in public sector tariffs.

The Government is pursuing contradictory goals over its deflationary policies. It wants to bring prices down but to sustain economic activity at a level that will maintain employment. Even before the devaluation, the official statistics bureau had been predicting a fresh rise in the number of jobless to 2½m by the end of the year on unadjusted figures.

Estimates of the deflationary impact of the measures (depending on assumptions about exports, loss of purchasing power and expenditure cut) vary from the Government's prediction of a 2.2 per cent growth in real GNP this year (roughly the same as before the devaluation) to some private forecasters' estimates of a low 1.2 per cent growth.

In any event private investment is almost certain to fall further in the light of employers fresh uncertainty about dividends, prices and profits.

The continuing strength of dollar continues to throw off balance the Government's calculations over the size of the trade deficit. Some 37 per cent of French imports are payable in the U.S. currency which has risen from FFr 4 to the dollar in 1980 to nearly FFr 7. But the Government hopes that with a renewed surge in exports and a pruning back of imports this year's trade deficit of an estimated FFr 80bn should be reduced to FFr 50bn next year.

Many of the Government's followers are sceptical of success. So are the foreign exchange dealers.

David Housego

David White profiles M Edmond Maire, CFDT leader

Mitterrand's critical ally

ONE MAN who is determined not to leave Socialism to the politicians or to the Government is M Edmond Maire.

The 51-year-old leader of the Confédération Française Démocratique du Travail (CFDT) — an organisation which he sees as becoming "in the medium term the principal force of French unionism"—is both a natural ally of the Mitterrand administration, and a frequent critic.

His distinctive voice, the result of a damaged nose, is the most widely respected one of France's trade union world. Although contested within the CFDT itself, the unpredictable M Maire has gained in stature in the country at large since the Socialists came to power.

The weekly magazine Le Nouvel Observateur went so far as to state that recent events had made him "the intellectual and moral leader of the French Left."

M Maire follows his own course. After pleading for economic "realism" and helping to prepare the ground for this summer's austerity measures, he balked sharply when the Government decided to legislate on a wage freeze rather than rely on the "sense of responsibility" of the workers.

He had already startled the Government last October when he came out and accused the country's new leaders of backing down on their promises and took issues over their energy policy, their approach to workers' rights and their nationalisation law.

M Pierre Mauroy, the Prime Minister, tried to shrug the tirade off by saying that M Maire was one of the gang and was simply "marching faster than the music." He invited M Maire to lunch but M Maire said he was sticking to his position and was not going to "march to the rhythm of a Prime Minister, however good he is."

This was not a break with Socialism but rather a reply to people inside his own union who suspected him of becoming a government pet. M Maire remains close to the Socialist Party, or at least to a certain part of it.


M Maire: determined not to leave Socialism to the politicians

His approach is far more qualitative than that of other unionists. A man of strong Catholic background, who helped reform the Christian trade union movement to build up the CFDT, he is one of the most committed advocates of "autogestion" or worker-management.

This was the innovative theme he picked up when he took over as CFDT leader 11 years ago. The union filled a vacuum on the political Left following the heady "events" of the spring of 1968.

The "sixty-eighters" have left their mark on the union. While the leadership leans towards the Socialists, there is a strong fringe element, ranging from Trotskyists to Ecologists, difficult to keep under control and just as hard to keep together.

Taking a more apolitical stance after the Left's general election defeat in 1968, M Maire was regularly vilified by his Communist union rivals for becoming a middle-of-the-roader. He has exposed himself to their attacks once more by preaching moderation. What he wants is that the Left should succeed and his warnings are directed both to the Government and to other unionists: "If you do any old thing, it's the workers who cop it."

Machine tool sector fails to adapt

THE STEADY and remorseless decline of the French machine tool sector is one of the clearest illustrations of industry's failure to adapt to new technology. Imports have mounted regularly over the past decade, particularly from West Germany and more recently from Japan, until they now account for 60 per cent of sales. Exports, though taking up about half of production, have failed to keep pace.

Encouraged by President Francois Mitterrand, the French Government is now trying to stop this deterioration with a vigorous programme of intervention. This policy is inspired by the belief that machine tools will be a key industry during the revolution in manufacturing techniques unleashed by the development of robotics and automated factory systems. A strong French industry is essential, it is argued, both to support the development of other manufacturing sectors in France and to win new export markets.

The Government faces substantial difficulties, however, in trying to reorganise the machine tool companies. One of the main characteristics of the industry is its diversity. It is split into small specialised units which have little in common and which are often run by independently minded entrepreneurs. French planning techniques, which have been so successful in organising large-scale industries such as nuclear power or telecommunications, have proved to be less effective in the past in tackling sectors like machine tools, where the decision-making centres are so dispersed.

These difficulties have been evident in the long, drawn-out negotiations between the Government and the industry since the announcement of the broad details of the machine tool plan last December. In the plan, by far the most important of the sectoral projects falling outside the nationalised industries, the Government has set a target of almost doubling sales in real terms between last year and 1985. Within this global figure the main growth is to come in numerically controlled machines, where sales are projected at FFr 4.6bn (£300m) out of a total of FFr 7.6bn in three years time.

The Government aims to stimulate the industry by acting on both demand and supply. On the demand side it has promised orders worth about FFr 1.2bn (£100m) from the Education and Training Ministry and will invite the newly nationalised industries to buy French when they move fully into their new investment cycle.

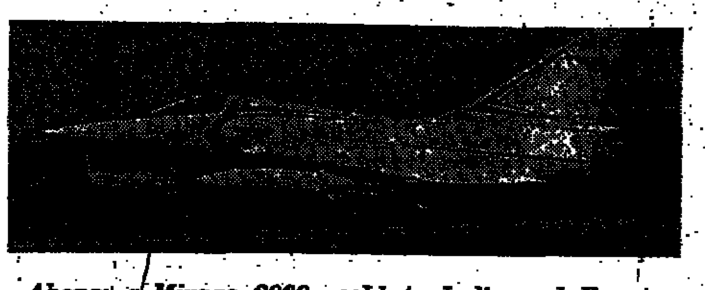
On the supply side the authorities will help with research, development and training projects through the national research institutes. There will also be support for development projects to create more sophisticated components for the industry. But the main effort — and the main problem — concerns the reorganisation of the industry, currently split into 140 separate companies.

The idea behind this restructuring was to create bigger units which would be able to achieve some scale economies in component development and production, as well as their sales networks. In this way the Government hoped to be able to make its FFr 2.3bn (£200m) expenditure on investment for the machine tool companies (to be matched by FFr 1.7bn from private sources) much more effective.

Several reorganisation projects have been studied over the last year in the attempt to encourage companies to come together with sufficient funds to ensure their development. The most likely conclusion will be the creation of two main groups, in which the thorny question of ownership and new capital will be solved by significant shareholdings held by state companies.

In effect this would mean that the big user companies got a vital say in the development of their tool-supplying companies. For the machine tool sector it would demand a big change from its present situation of relative financial independence, while the Government would run the risk of criticism for creeping nationalisation. But as in Britain, with its long Alfred Herbert saga, many of the companies in the sector are now reaching the stage where the choice is between total collapse and the infusion of public capital.

Terry Dodsworth



Above: a Mirage 2000—sold to India and Egypt. Below: a Citroen BX 14RE—one of France's recent launches

Government faces difficult task of getting a larger range of companies to export

Gloomy outlook for trade performance

THINGS WILL probably get worse before they get better. That is the general outlook for France's trade performance after the Mitterrand administration's second devaluation.

The country has been caught in an awkward monetary trap: on the one hand, a franc that has lost sharply against the dollar, the currency in which a third of its imports are denominated, on the other a franc that has long been considered overvalued against the D-mark, the currency of its main trading partner.

Some exporters had been pressing for devaluation way back into the Giscard administration. In the first few months of this year, exports levelled off after an increase of just under 18 per cent in 1981. The trade balance, which was kept down to a deficit of less than FFr 5bn a month on average last year, has followed a teetering course, hitting a record FFr 10bn shortfall in April (earning the comment "execrable!" from Foreign Trade Minister M Michel Jobert) and averaging out at some FFr 6bn a month.

Among export leaders, the French car makers have been the exemplary victims of the loss of competitivity, despite a recent boost from new model launches, and they are concerned that the disparity between France's inflation and that of its neighbours will continue to play against them.

Strength

For all this, France's surplus in its trade in industrial goods soared by FFr 20bn last year, and some export sectors have gone from strength to strength. A diversified group such as the recently-nationalised CGE can still show a 40 per cent-plus annual increase in its overseas turnover. Export successes continue to come in for major building contracts, metro systems, telephone installations, power equipment and so on.

Broadly, France's most lucrative selling pitch is in medium-technology sectors, where it is backed up by a reputation for solid engineering and by extremely competitive export credit terms.

● In capital goods, there are weak points in machine-tools and — despite an impressive export record in digital telephone exchanges — professional electronics, especially computers. But heavy electricals, building materials and industrial equipment have all performed well. An example is Alsthom-Atlantique, a group specialising in power generation, locomotives and ships, which reported a 58 per cent increase in foreign orders last year and expects another 50 per cent rise this year.

A South Korean order for two nuclear reactors in late 1980 broke a long French jinx in this sector, marked by dropped deals in China and Iran. Given a freer hand after the breaking of Westinghouse's shareholding links with the French constructor Framatome, the French are now pursuing elusive contracts in Finland, Mexico and elsewhere.

● Aircraft are included in figures for the general category of investment goods, which produced export growth of 21.5 per cent last year and a record monthly sales figure of FFr 12.6bn in May.

France's share of the six European Airbuses sold in May was a major element in this performance. The civil aerospace industry now has an order book corresponding to more than two years' activity. The successful testing of the largely-French Ariane launcher opens up a growing space sector, where three state-controlled groups — Aérospatiale, Matra and Thomson-CSF—are all anxious to develop their satellite activities.

The new Franco-Italian ATR-42 regional transport aircraft already has half-a-dozen customers but the key to the medium-term future will be the next Airbus generation, the single-aisle A-320, and the timing of its launch on the market.

Its success is also considered crucial to the future of European co-operation in this field, where half of French manufacturers' total orders are tied up in joint projects.

● France's arms potential has been highlighted by the tragic fame earned by the Exocet sea-skimming missile in the Falklands war. The "defence" business sagged somewhat last year, but nothing like as much as the industry feared when President Mitterrand came to power.

In the event, the only new export bans have affected Chile and, recently, Argentina. Clients in the Middle East and North Africa, who buy three-quarters of French arms exports, have been reassured.

While civilian orders in the investment goods sector rose 30 per cent last year, military orders grew at only half that rate, and actual sales, according to the Defence Ministry, fell 10 per cent to under FFr 34bn, but they have since shown signs of recovering.

The Dassault-Breguet group alone, which has given France its successful series of Mirage combat aircraft, has already reported FFr 13bn-worth of orders this year. Its new Mirage 2000, the first production line model of which is due for the end of this year, has, after an initial disappointment in Australia, been sold to Egypt and India. The company is meanwhile sounding out Middle East clients for its export-only version, the 4000.

● The other major export strength has been food, a sector which was in deficit a few years ago but which now produces a surplus rivalling that of motors. This success is somewhat fragile: last year's record FFr 21.5bn surplus was in large measure due to good cereal crops and low prices for commodity imports. But it also reflects a strengthening of the food-processing industry.

Wine and spirits exports—led by cognac, champagne and claret—meanwhile rose 20 per cent to over FFr 14bn last year, helped by the rise of the dollar, which boosted revenues in French franc terms from the U.S., the biggest market.

Competitivity

But even in this sector exporters are worried about competitivity.

Overall, French export growth has come to depend largely on oil-producing countries, developing countries, and, less reliably, the Eastern bloc; capital goods sales to the Soviet Union dropped 10 per cent last year, though they are now set to recover on the basis of some FFr 12bn worth of orders registered in 1980 and 1981, including some FFr 5bn for the Siberia gas pipeline.

In all these categories, political considerations often come into play in the allocation of big contracts.

Out of more than FFr 90bn worth of orders received for civilian investment goods last year, only FFr 15bn came from the industrialised West. France has built up big deficits with the rest of the Organisation for Economic Co-operation and Development members and with the EEC. Last year the Community's share of French exports dropped to below half. French exporters, faced with a deterioration in relative labour costs over the last few years, find the markets increasingly hard to get into.

The Government hopes, through nationalisation and industrial reorganisation, to nurture a more aggressive export sector able to hold its own in these essential, inherently more stable, markets. Like its predecessor, it faces the difficult task of getting a larger range of companies involved in exporting.

David White

David White profiles M Yvon Gattaz, head of the employers' federation

M Gattaz: growing impatience with the authorities

CNPF chief gets tougher

WHEN M Yvon Gattaz was named late last year as the new head of France's employers' federation, the CNPF, he was billed as the candidate most likely to get along with the Socialists.

Contrasting with his predecessor M François Cyrac, a long-time "fonctionnaire" of the organisation, M Gattaz was seen as a "technical" rather than a "political" choice. Working in his favour were a background in a successful medium-sized provincial company and a progressive image based on two books on entrepreneurial philosophy.

The arrival of this owl-like figure, with his thick glasses and his epigrammatic turn of phrase, was quietly welcomed by the Elysee as promising a thaw in its relations with the "Patronat." M Gattaz' initial statements were indeed conciliatory; he said that the country's employers had no "visceral hostility" to Socialism and that the CNPF had "no vocation for being an opposition party."

The CNPF has found common ground with the authorities on issues such as the lost opportunities of French industry and has played along with its idea of "solidarity contracts" for creating jobs.

But M Gattaz's tone has become increasingly tougher, displaying growing impatience at the authorities' response to the corporate sector's financial plight and reflecting the mood of many of the CNPF's members, who would favour a more overtly political stance.

His recent statements are peppered with the phrases "alarm signal" and "danger mark." Concessions by the Government on the so-called professional tax—for years the CNPF's great bugbear — and increased state support for investment are outweighed, he argues, by new burdens: shorter hours, extra holidays, earlier retirement and workers' rights legislation that he reckons will cost companies the equivalent of 1 per cent of their payroll.

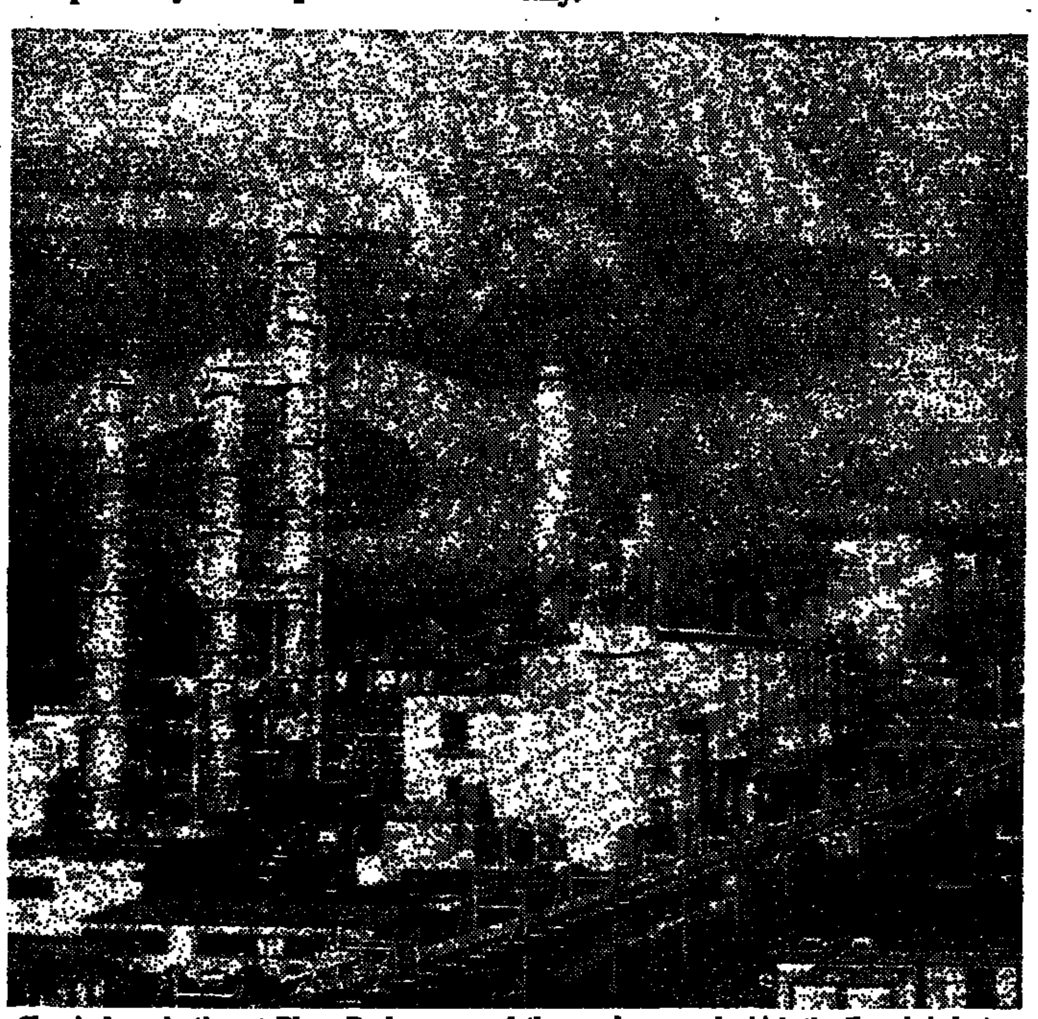
"I have more and more the impression," he said recently, "that my visits to our political leaders end up as kinds of guided tours of Ministries with gilded ceilings."

The Government's initial efforts to woo small and medium-sized businessmen through rival employer organisations have led the CNPF to set up special committees in order to take the interests of these categories more into account.

At the other end of the scale M Gattaz has argued successfully to keep in the newly nationalised industrial groups, with a senior executive of Thomson-Brandt, M Guy Brana, being put in charge of the organisation's economic commission.

His own background places him neatly between the two. The specialised electronic component company Radiall, which he and his brother set up 30 years ago, now has a workforce of about 900. His formula? "To create a company you need 45 per cent courage, 45 per cent recklessness and 10 per cent money."

Several development plans for industries in difficulty—including leather, toys, textiles and wood working—have been announced by the Government over the past year. But the most important relate to chemicals and steel in the fully nationalised sectors and to machine tools (see page V) in the privately-owned part of the economy.



Chemical production at Rhone-Poulenc, one of three poles around which the French industry is being reconstructed

Planners reconstruct chemical industry

FRENCH PLANNERS have for years tinkered with reconstruction plans for the chemicals industry. Despite its creditable export performance—the favourable trade balance last year was FFr 14.4bn (£1.2bn)—the industry's rambling structure and chronic financial instability have made it an obvious case for treatment. Now, after years of hesitation, the Socialists have at last decided to take up the knife and try radical surgery.

The plan which emerged from the Industry Ministry in May is aimed at concentrating mass production in the industry on three main nationalised groups. Each will be relatively specialised and, it is hoped, of sufficient size to compete effectively in world markets. There will be some rationalisation of product lines—swopping of activities to give the most logical manufacturing mix—but many of the details still have to be worked out.

By far the most important element of this plan is the decision to put PCUK, one of the heaviest loss-makers, into the Elf-Aquitaine oil group's growing petro-chemicals empire. PCUK is a subsidiary of the PUK metals group, which has been steadily drained by its losses in chemicals, and which the Government wants to concentrate on its extensive aluminium activities. Elf, on the other hand, has a very positive cash flow. Hence the idea of marrying the two with the aim of using Elf's funds to finance the rationalisation.

At the same time Elf is to take the majority stake in two petro-chemicals companies, Ato-Chimie and Chloe-Chimie, which it currently holds jointly with Total, the second of the two big French oil groups. One of the weaknesses of the French industry in the past, it is felt, was the proliferation of jointly held companies that suffered from weak management. Elf is to be given charge as a kind of national champion in the heavy chemicals sector.

Strategy

A second grouping will be based on Rhone-Poulenc, the largest company in the industry at the moment, with a turnover of £3bn. Rhone-Poulenc had already established its strategy before nationalisation. It is to continue broadly on its present path of specialisation in the high value-added sectors such as fine chemicals, pharmaceuticals, agro-chemicals and plastic films. Its artificial textile business was savagely cut back before the Socialists came to power and will stay that way.

The third "pole," based on CdF Chimie, the chemicals subsidiary of Charbonnages de France, the nationalised coal company, looks the weakest of the three. CdF lost FFr 1.2bn (£100m) last year and is heavily undercapitalised. But it has roughly been given the job of leading the heavy chemicals activities in France.

This overall strategy will be fleshed out, if the Ministry's plans are realised, by further takeovers and rationalisation among the different groups. The future of EMC, a small public sector company, and of Cofaz, taken over in the Paribas bank portfolio, still remains to be decided; there will be further reorganisations in fertiliser and dye manufacturing.

The Government scheme, however, still begs the question of whether France can catch up with its international competitors. Investment in the industry has slipped badly, falling consistently in real terms since 1974. Much of the earlier investment was also in the wrong areas, so that France now has an overcapacity in PVC plastics, often produced in uneconomically small plants.

The problem faced by the industry therefore, is to push through this necessary slimming operation, which will fall mainly on Elf's shoulders, while stepping up the development of new activities. That will clearly require a lot of backing which the state may not be finally able to give.

Terry Dodsworth

Further steel cuts on the way

WHEN THE Socialist administration took office about 14 months ago it was tempting to believe that all the dirty work in cleaning up the steel industry had already been done. About 30,000 of the 130,000 jobs in the industry had been axed, several factories closed and capacity trimmed. But the first year of Socialism coincided with a further market slump and has seen an acceleration of losses, not the expected turnaround. More rationalisation will have to follow.

The most painful part of this reorganisation is expected to fall once again on the workforce. Analysts believe that between 10,000 and 12,000 jobs need to go to make the industry fully competitive at the target capacity rates. At the same time it desperately needs to inject new blood into its workforce in order to acquire the range of skills to cope with new production technology; in the past few years of recruitment freezes the average age of personnel has gone up dramatically.

Whether the cuts will be quite as deep as the guideline figures suggest remains to be seen. Usinor, the larger of the two nationalised groups, has clearly tried to limit redundancies in its recently announced development plan. It is aiming to slim down by about 4,000 jobs by 1986 from its present workforce of a little over 30,000. Sacilor, the second of the big groups, is planning cuts of around 2,200 out of its 27,000 workforce.

To sweeten the redundancy pill the Government is offering the industry more than FFr 20bn (£1.7bn) over the next four years to restructure its capital base and pump funds into new investment. This sum, large as it is, is probably not as much as the steel manufacturers would have liked; between them, Usinor and Sacilor lost more than FFr 6bn last year and are facing a further big deficit this year as well. But after the planned equity injections around FFr 18bn should be available for investment.

According to the Industry Ministry, the long-term aim for the two main steel producers, which account for more than 80 per cent of French output, is a production rate of between 22m and 24m tonnes a year. This is about the same amount as has been produced over the past three years of crisis in the industry and relates to a present capacity calculated at around 28m tonnes. But the target also embraces a change towards more high quality products.

The basis of this switch towards more up-market manufacturing has already been laid through the take-overs of the special steels activities of Creusot-Loire and Pechiney-Ugine Kuhlmann by Usinor and Sacilor respectively. Both these special steels companies have been losing money, like their new owners. But it is argued that their presence in the bigger groups will mean a better balance of activities while providing the opportunity for radical modernisation and rationalisation.

Following the mergers the two steel groups account for about 80 per cent of French steel production. It is expected that they will split almost equally the FFr 17bn (£1.5bn) of investment funds.

What still remains to be resolved in detail is where the investment will go geographically. Usinor has already laid down its cards in announcing plans to develop its coastal site at Dunkirk, where it wants to put at least FFr 5bn into steel plate production facilities.

There is also likely to be a further development of the integrated steel-making site at Fos, near Marseilles, which was built, like the Dunkirk plant, to receive foreign ore and have easy access to export markets. But this plant is owned jointly by Sacilor, which will face big difficulties in diverting funds away from its Lorraine plants, where it has invested heavily in recent years. Hence Sacilor is to invest FFr 5.6bn of its total FFr 8.5bn of new funds in Lorraine.

These are all thorny problems for both the Government and the industry. For a Socialist administration steel is something more than just another industry. It goes to the heart of the working-class movement and any tinkering with it has to be done carefully. That accounts for the heavy funds that have already been set aside for the reorganisation. Whether they will be enough to buy off really damaging dissent remains to be seen.

T.D.

Government control of industry will be unambiguous

A leap in the dark

FRENCH industrial policy took a great leap into the dark earlier this year with the voting of the Bill which nationalised five of the country's biggest industrial enterprises. For the first time the state is moving in force into competitive manufacturing sectors, where there are no clear-cut social arguments for public monopolies and where the rival companies are the big multinationals. Nothing comparable has ever been tried before in any of the West's advanced industrial economies.

This spectacular change reflects the Socialist Government's belief in a highly interventionist approach to industrial development. It argues that industry should not be left, as in the classic liberal structure, to adapt itself to the conditions imposed by general economic policy action. All governments, say the Socialists, interfere with industry in one way or another: but under the new French system the control will be direct and unambiguous through the structure of state ownership.

This concept of state control clearly owes a great deal to Marxist notions of economic management. But for many of the present generation of Socialists it also reflects a concern for manufacturing industry as the key element in a modern economy. Industry is seen as the main creator of wealth, the essential backstop against rising unemployment and the main guarantor of France's position in the world.

Employment

Partly because France's ability to continue generating wealth and employment has been fading in the last few years, the finger of accusation has been pointed clearly at industry. Socialist planners argue that the present crisis is in large part due to the fall in the rate of investment, reflected in France's slow response to some aspects of the technological revolution that is now sweeping across the Western world.

Nationalisation has therefore become the means of ensuring the investment revival and promoting technological change. Historically French companies are said to have always relied heavily on the state to accept risk: hence the Government is shouldering the burden private industry (the argument goes) was unwilling to carry.

While this scenario concentrates heavily on the big groups controlling the commanding heights of the economy, it also gives a place to the country's small and medium-sized companies—the PMEs. The Government is just as keen as its predecessors about the PMEs, which were shown in a recent study to have been the only companies creating jobs in the late 1970s. So far the PMEs have not responded by showing much confidence in Socialism: but the Government has various projects designed to help them.

The first is nationalisation itself. The modernisation of the companies recently taken over is planned via a big investment programme which will inevitably create orders for the supplying industries. French-based PMEs should be the biggest beneficiaries of this spending programme.

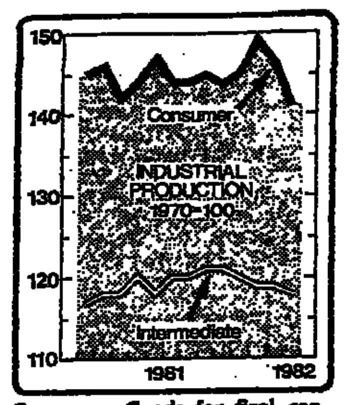
The authorities also believe that the nationalised industries can help galvanise the small company sector by giving access to some of their specialised services. In particular they are being asked to make overseas sales networks available to the PMEs. Much of the failure of France's smaller companies in export markets, where they are markedly less involved than West German competitors, is attributed to weak distribution. Only the big French companies tend to have these structures already in place.

Linked to this effort for the sub-contracting type of small company, the Government is aiming to stimulate the creation of innovative new PMEs. The main growth in the small company sector, it believes, has come recently from the establishment of businesses orientated towards new technology. Hence there will be increased aid to fund research workers in the PMEs and additional funds for bringing new products from the drawing board to the production line. Throughout the country the authorities are setting up advisory committees, manned by experienced businessmen, to help newly established companies; big companies are to be encouraged to help managers who want to set up their own company to exploit a new product.

The central theme threading through the action for both big and small companies is the need for investment. There is no doubt that expenditure on new plant in France steadily lost pace in the 1970s and has entirely stalled over the last three years. Last year industrial investment fell by about 3.5 per cent in real terms.

The question now is whether—and if so when—the Government policy actions will lead to an investment upturn.

As in other areas there are external constraints imposing limits on the Government programme. On the financial side, for example, budgetary pressures have screwed down the amount of new capital funds available to the nationalised industries to around FFr 9bn this year. A very large proportion of this will go to the steel industry, just to keep it ticking over. By contrast, the Industry Ministry is believed to have asked for around FFr 15bn. This would have enabled a more widely spread expenditure, with more emphasis on new growth projects.



Consumer=Goods for final consumption; Intermediate=Semi-finished products and industrial raw materials

Whatever the limitations on the Government's power, however, it is clearly determined to push stubbornly on with its pump-priming in the nationalised sector. According to M Pierre Dreyfus, the former Industry Minister, the new investment wave should start flowing through these big companies within a matter of weeks. It is expected to accelerate next year, as the new management teams settle into place and develop their long-term plans.

The main priorities for this spending fall into two distinct areas—investment in sectors which badly need restructuring to face up to international competition and investment in the new technology industries where there is a premium on innovation. Steel and chemicals are outstanding examples of the first type of industry; electronics and computers of the second. In all of these areas Government-owned companies dominate the scene in France.

Alongside these projects, centred on the big "national champions," the Government has announced a number of sectoral plans designed to stimulate particular industries in crisis.

The most important of these is for machine tools, a notoriously weak sector in France but one which is now evolving fast with the development of electronic control methods. It is hoped to re-group companies and help investment through Government ordering schemes and research backing. Similarly, efforts to modernise the textile industry are being encouraged by reductions in social security payments which will help the companies generate the cash for investment.

In all of these projects there is a big element of gamble for the Government. It is handing out money to private industry in the hope that it will be used in a way that will make companies more competitive. But it is having to rely for success on owners and managers who are largely hostile to socialism. Indeed, many of the companies claim bitterly that the new handouts scarcely compensate in most cases for extra charges levied on them.

This difference of philosophy makes the nationalisation programme all the more important. The success and development of the big companies would generate orders for the PMEs—particularly in machine tool and engineering sectors—and would also re-create the general climate of confidence in industry which has gradually seeped away over the last decade.

The nationalised sector would then have what President Francois Mitterrand describes as a "locomotive" effect on the rest of the economy. But for the moment the engine is only just lurching into movement. It is impossible to say whether it will be able to build up sufficient steam in the next few years to carry off the gamble on which the Government embarked a year ago.

T.D.

GARDENS TODAY

Defence against clematis wilt

BY ROBIN LANE FOX

AFTER THE first flush of roses, my attention turns to the clematis. They have been around all summer, of course, but I seem to grow those which flower from July onwards, and at this time of year I notice the larger varieties round porches, on houses, or up well-placed trellis. I also notice those which look ready to die.

Most growers of clematis know that they risk the lethal complaint called wilt. It is a common disease and there is, I believe, no cure. Suddenly, a healthy clematis will shrivel and die at its extremities, leaving you with top growth, which has to be cut away. Wilt strikes most often in the weather we have had recently, a long, dry spell which slows growth, then extreme humidity which causes the plants to shoot very quickly before enough moisture can support them.

I have just lost one stem on an old Marie Boisselot to mid-June wilt, but two nearby clematis on a very wet patch of ground never seem to suffer from an attack. I suspect that they draw up enough water when they start to grow in a sudden spurt.

So, to prevent wilt soak your plants' roots with water over the next fortnight or so. Climbers at the base of a wall are usually standing in soil which is far more dry than we remember. The recent rains have not made up for the two months since April in which the foot of a wall scarcely had a drop.

Experts also suggest that you spray your clematis in spring, summer and autumn with Benlate. This invaluable compound deters that old enemy, mildew, and I daresay it keeps down wilt. Do not squirt a dose of Benlate over your plant's top growth and then leave it. Instead, aim at the base of the plant and try to drench the bottom two feet or so of its stem. Try to soak the tougher wood of the main stem, too, as you will find that its outer layer tends to split as summer proceeds. I suspect that wilt often enters through this gap in late summer.

A spray with Benlate every three weeks will help the base of any clematis. Some of the wild forms with smaller flowers seem far less prone to attack. These can be left in peace. If you grow the prolific pink and white montana varieties, you are unlikely to be too troubled.

Clematis are no longer cheap, costing £4 or more at a specialist nursery, which offers replacements at half-price against a proven early death from wilt. Elsewhere, how do you know that you are not buying a plant with wilt in it already? There is no guarantee, but I urge you, if possible, to choose a plant with several side-shoots or stems near the soil level. You can train these extra stems down on to the soil and peg them into contact with some sand and light compost. The stems ought to root into this mixture, giving you a reserve branch, in case wilt spoils the main shoot. By layering your plant, you double its hope of survival.

I also suggest that you plant quite deeply, burying two or three inches of stem below ground when you lift your plant out of its black polythene container. Often, wilt destroys only the top growth, leaving healthy roots below ground from which a new stem will appear next season. Never hurry to throw a wilted plant away, but be quick to burn its diseased upper half.

Having watered, sprayed, buried and layered, you may or may not like to add a prayer as well. The risks will never deter me from growing new varieties because most have given more pleasure than any other climbers.

The king of clematis, of course, is Christopher Lloyd, whose book on clematis cuts a clear path through the different varieties and whose nursery from his gardens at Great Dixter, Northiam, Sussex, supplies good plants from its list. At the moment, I have eyes for the sky-blue Perle d'Azur, the white Marie Boisselot, not always an easy plant, and the wonderful ruby-red Niobe, which was bred in Poland by a customer of those fine clematis specialists, Fisks of Westleton, on the Suffolk coast. There are varieties which I would want anywhere, among the smaller-flowered forms of viticella and jackmanii, which produce such a mass of flower from now until autumn, and can be trained so neatly over early flowering shrubs, victims of cold winters and gaps in June borders.

Clematis are not just climbers for walls. Many like to spread over other plants, their natural habit in the wild. An old variety, called durandii, is more healthy and happy when grow over a shrub. I welcome its deep, violet flowers among dreary peonies out of season.

I will end on a happy note. Eight years ago, Fisks sent a strawberry-pink and rose-flowered clematis to a customer in the Argentine, who wrote back to claim that he had a far better variety. He sent them a plant now known as Dr Ruppel, after him. It goes straight to the top of my list, a variety with deep rose stripes against a pink background, which flowers in May and June and again, more modestly, in autumn. It seems to grow with the greatest ease and is a welcome reminder that not every claim from the Argentine is far removed from fact.

FT COMMERCIAL LAW REPORTS

'Unconscious bailee' liable for damaged goods

AVX LTD v EGM SOLDERS LTD

Queen's Bench Division (Commercial Court): Mr Justice Staughton: July 1 1982

Where a person receives another person's goods believing them to be his own, he is an "unconscious bailee:" and if circumstances are such that he has a duty to discover that the goods do not belong to him, he then has a duty not to damage or destroy them.

Mr Justice Staughton so held when giving judgment for the plaintiff, AVX Ltd, manufacturer of electronic equipment, in its action for damages for negligence against the defendant, EGM Solders Ltd, producer of solder.

* * *

HIS LORDSHIP said that AVX, a subsidiary of an American corporation, manufactured capacitors, small delicate pieces of electronic equipment used in wireless, television, computers and sophisticated weaponry. It had a distribution centre in Aldershot.

EGM produced solder. In April 1979 AVX ordered 80m spheres of solder from EGM. Of the 20m which were delivered, 12.1m were defective. AVX complained to EGM and sent a sample. EGM agreed that the goods should be rejected, and was informed that they would be returned by road transport.

On September 13 AVX despatched the defective spheres in one box to EGM. The box had three labels with EGM's address, and contained a delivery note.

At the same time AVX wished to send 21 boxes of capacitors to its distribution centre at Aldershot. Those were finished goods which could not, by any stretch of the imagination, be said to look remotely like solder spheres. Their gross weight was 10 times as much as that of solder spheres.

Those 21 boxes of capacitors were each marked with three labels addressed to AVX at Aldershot. A delivery note was made out and enclosed in the last of the 21 numbered boxes.

All 22 boxes were collected by carriers employed by AVX. Then an error was made. The carriers delivered the whole lot to EGM.

The people at EGM did not notice that besides the rejected solder spheres with a gross weight of 37 kg, which were to be scrapped, they also had 21 cases of finished capacitors weighing 372 kg. They set about scrapping the whole lot. Two ladies in the factory opened all 22 boxes and tipped their contents into skips.

The result was that in the skips there were 12.1m solder spheres and 891,185 capacitors of 30 different types. It would be vastly difficult to sort the individual types from that mixture.

AVX now claimed damages from EGM for the market value of their capacitors.

The first question to be decided was whether EGM owed any, and if so, what duty of care to AVX. Mr Barnes, for EGM, said that they owed no duty at all, or at any rate, that they would only be liable for gross negligence.

The situation was what was called "undisclosed or surreptitious bailment" in *Palmer on Bailment* at page 227. The author also referred, at page 228, to the "deceived bailee, or bailee by "concealment."

"Those expressions referred to at least three situations including that with which the present case was concerned, namely, where a person had goods in his possession but believed, contrary to fact, that they were his own property.

No individual at EGM was consciously aware that the extra 21 cases were the property of anybody other than EGM; and some at least of the EGM employees believed all 22 to be the property of EGM. His Lordship would describe the situation as one of "unconscious bailment."

Mr Barnes submitted that it was not really a case of bailment at all. In that he had the support of *Palmer* at pages 227 to 228, who submitted that if the cardinal attributes of bailment were not fulfilled, there could be no bailment and the defendant was not liable as a *bailee*, though he might be liable under general tortious principles. Two general principles of bailment appeared to coalesce: ". . . there can be no true bailment without a voluntary assumption of possession; . . . a bailee must know what he is possessing. . . ."

The modern approach was not to clarify the type of bailment, or even to ascertain whether it was truly a bailment at all, in order to determine what duty of care, if any, was owed to the true owner.

In *Houghland v RR Low (Luxury Coaches) Ltd* [1962] 1 QB 694, 698 Lord Justice Ormerod said: ". . . I have always found some difficulty in understanding just what was 'gross negligence' because . . . the standard of care required in a case of bailment, or any other type of case, is the standard demanded by the circumstances of that particular case . . ."

Following Lord Justice Ormerod, his Lordship held that an unconscious bailee, before dealing with the goods, must use what was in all the circumstances, a sufficient standard of care to ascertain that they were truly his own goods.

One circumstance to be taken into account, which tended to diminish the standard of care, was that the goods had been delivered to EGM without invitation and, by a mistake on the part of a carrier employed by the true owner.

Another circumstance to be taken into account, pointing in the opposite direction, was that the goods had very recently entered the premises of EGM. It was not a situation where goods had been in EGM's possession for years, which it might well treat as its own with little thought or inquiry.

On hearing the evidence his Lordship did not form a favourable impression of the standard of management at EGM. Somewhere in the organisation there was a breach of duty in not discovering that 21 of the cases contained capacitors, the property of AVX, before an order was given to scrap them.

There was no negligence on the part of the two ladies on the factory floor. Theirs not to reason why. The foreman, however, ought to have observed that something was amiss. He should have called a halt when apparently new and carefully packed goods were being thrown into the skips. He should then have looked at the addresses on the labels or at the delivery note in the last box.

Had EGM discovered that the 21 boxes were not its property, it would then have ceased to be an unconscious bailee, and become an involuntary bailee. It must be the duty of an involuntary bailee not to damage goods without inquiry of the true owner, unless they were of a noxious character.

EGM was in breach of duty owed to AVX in failing to detect that the capacitors were the property of AVX; and therefore it was in breach of duty owed to AVX by causing damage to the goods.

AVX asked for judgment in dollars, presumably because the value of sterling had fallen against the dollar since the cause of action arose.

The tort was purely domestic. It was committed in England, where both parties carried on business. The loss was not felt, nor could appropriately be measured in U.S. dollars. Judgment should be given in sterling.

Judgment for £39,534.

For AVX: Jonathan Hirst (Clyde & Co)

For EGM: Jonathan Barnes (Smiles & Co)

By Rachel Davies
Barrister

TELEVISION

BBC 1

6.40-7.55 am Open University (uhf only). 1.00 pm News After Noon. 1.27 Regional News for England (except London). London and SE: Financial Report. 1.30 King Rollo. 1.35 Bric-a-Brac. 4.18 Regional News for England (except London). 4.20 Play School. 4.45 Joey and Redhawk. 5.05 Newsround. 5.10 Wildtrack.

5.40 Evening News.

6.00 Regional News Magazines

6.25 Nationwide.

6.55 The Wednesday Film: "That Riviera Touch," starring Eric Morecambe and Ernie Wise.

8.30 Now Get Out Of That. Two teams accept the challenge to cope with the unknown for 24 hours in the open.

9.00 Party Political Broadcast by the Conservative Party.

9.05 News.

9.30 Chicago Story: A young lawyer finds herself the target for death.

10.40 Athletics from Oslo, Norway. The Bislett Games.

11.20 World Cup Report.

11.45 News Headlines.

Tonight's Choice

A good escapist night, with pride of place going to Playhouse on BBC 2 at 9.30 which has Paul Scofield and Geraldine McEwan getting their beautiful vowel sounds around Noel Coward dialogue in Come into the Garden Maud, a third of the triple bill, Suite in three keys. (Another one-acter, A song at twilight, can be seen on Friday). Tonight's play contains the last line Coward ever wrote for himself to say on stage—"Goodnight sweetheart."

Broad humour rather than wit is available on ITV with a repeat of a Christmas edition of Morecambe and Wise. You can have more than enough of the predictable duo by tuning in to one of their unsuccessful feature films That Riviera Touch earlier in the evening on BBC 1.

There are two new series opening. BBC 2 allows Isla St Clair to grow up at 7.35 she introduces The Travel Show with Desmond Lynam, which is all about the travel industry. On BBC 1 teams from Oxford and Cambridge compete in an initiative test, a cerebral Outward Bound course, in Now get out of that.

Something in Disguise did not quite have the style of the novel in its first episode but now that the explaining has been done it should take off nicely on ITV.

ANTONY THORNCROFT

BBC 2

6.40 am Open University.
10.05 Gharbar.
10.30 Play School.
12.30 pm Open University.
5.30 A Night at the Pictures.
6.55 Six Fifty-Five Special.
7.20 News.
7.35 The Travel Show.
8.05 Elastic Music.
8.15 The Man Alive Debate.
9.00 Butterflies.
9.30 Playhouse: Come Into The Garden Maud.
10.30 Cartoon Two.
10.40 A Party Political Broadcast by the Conservative Party.
10.45 Newsnight.

LONDON

9.30 am World Famous Fairy Tales. 9.45 Patterns. 10.15 Azerbaidjan. 11.10 Struggle Beneath The Sea: A look at the sea urchin that resembles a pin cushion and the clingfish who clings to the urchin's spines for protection. 11.35 The Greatest Thinkers. 12.00 We'll Tell You A Story. 12.10 pm Rainbow. 12.30 The Communicators. 1.00 News with Peter Sissons, plus FT Index. 1.20 Thames News with Robin Houston. 1.30 Look Who's Talking. 2.00 After Noon Plus Revisited. 2.25 Racing from Newmarket. Covering 2.30, 3.05 and 3.35 races. 3.50 Three Little Words. 4.20 Storybook International. 4.45 Andy Robson. 5.15 Lights! Camera! Annie! A documentary on the making of the film of the hit stage musical "Annie."

5.45 News.
6.00 Thames News.
6.25 Crossroads.
7.00 Where There's Life . . .
7.30 Coronation Street.
8.00 Best of British: The Morecambe and Wise Show
9.00 Something in Disguise. Richard Vernon, Ursula Howells in "A New Life."
10.00 Party Political Broadcast by the Conservative Party.
10.05 News
10.35 Janet and Company. Starring Janet Brown.
11.05 "Fright," starring Honor Blackman, Susan George.
12.15 am "Sit Up and Listen."

Because of World Cup coverage, programmes will be subject to alteration.

All IBA regions as London except at the following times:

ANGLIA
9.35 am Mumbly. 9.45 International Stars. 10.10† Hungry Hill. 11.50 Tattoo, Wattoo. 1.20 pm Anglia News. 5.00 About Anglia. 11.45 The Monte Carlo Show. 12.40 am Personal View.

CENTRAL
10.10 am Paths to the Future. 11.00† Hopalong Cassidy. 1.20 pm Central News. 2.00 Central News at the Royal Show. 3.50 Central News at the Royal Show. 6.25 Central News. 11.45 Replay: Dragnet.

CHANNEL
1.20 pm Channel Lunchtime News. 6.00 Channel Report. 6.30 Bailey's Bird. 10.00 Life in France. 11.45 The Monte Carlo Show. 12.40 am News and Weather in French.

GRAMPIAN
9.30 am First Thing. 9.35 Sesame Street. 10.35 Call It Macaroni. 11.00 Thunderbirds. 11.55 The Adventures of Parsley. 1.20 pm North News. 5.00 Summer at Six. 11.45 Seachd Laithean. 12.15 am North Headlines.

GRANADA
9.30 am The Bubbles. 9.35 All the Way Up There. 10.00 Tarzan. 10.45 Our Natural Environment. 11.00 Sesame Street. 1.20 pm Granada Reports. 2.00 Putting on the Style. 6.00 This is Your Right. 6.05 Crossroads. 6.30 Granada Reports. 11.45 Dear Detective.

HTV
9.55 am 3-2-1 Contact. 10.20 Beachcombers. 10.45 The Extraordinary People Show. 11.10 The World We Live In. 11.35 Marilyn Baker Songwriter. 1.20 pm HTV News. 6.00 HTV News. 10.35 HTV News.
HTV Cymru/Wales—As HTV West except: 11.10 am Vicky the Viking. 1.20 pm HTV Y Dydd. 12.00 Ty Bach Twt. 4.20 pm Here's Boomer. 4.45 Llygad Barcud. 6.00 Y Dydd. 6.15 Report Wales.

SCOTTISH
10.00 am Wilderness Alive. 10.45 Little House on the Prairie. 11.30 The Daily Mirror USSR Gymnastics Scholarship Final. 1.20 Scottish News. 5.15 Teatime Tales. 5.20 Crossroads. 6.00 Scotland Today. 6.30 Report. 11.45 Seachd Laithean. 12.15 Late Call.

TSW
9.35 am Sesame Street. 10.35 Documentary (Nora). 11.25 Bailey's Bird. 11.50 Sally and Jake. 1.20 pm TSW Regional News. 5.15 Gus Honeybun's Magic Birthdays. 5.20 Crossroads. 6.00 Today South West. 6.30 Televiews. 6.40 Sportsweek. 10.37 TSW Late News. 11.45 The Monte Carlo Show. 12.40 am Postscript.

TVS
9.30 am Spread Your Wings. 10.00 Survival. 10.25 240 Robert. 11.15 European Folk Tales. 11.30 Fangface. 1.20 pm TVS News. 5.15 Watch This Space . . . Good News of the Week. 5.30 Coast to Coast. 5.45 News. 6.00 Coast to Coast. 11.45 Jazz and Blues. 12.20 am Company.

TYNE TEES
9.20 am The Good Word. 9.25 North East News. 9.30 The History Makers. 9.55 European Folk Tales. 10.10 Cities. 11.00 Survival. 11.25 Stingray. 11.50 Mumbly. 1.20 pm North East News. 1.25 Where the Jobs Are. 6.00 North East News. 6.02 Crossroads. 6.25 Northern Life. 10.35 North East News. 11.45 Sam Sherry—Stepdancer.

ULSTER
1.20 pm Lunchtime. 4.18 Ulster News. 6.00 Good Evening Ulster. 10.34 Ulster Weather. 11.45 News at Bedtime.

YORKSHIRE
9.30 am Sesame Street. 10.30 Jason of Star Command. 10.55 Paint Along with Nancy. 11.20 Herculoids. 11.40 Horses. 11.55 Captain Nemo. 1.20 pm Calendar News. 6.00 Calendar (Emley Moor and Belmont editions). 11.45 Late Night Drama.

RADIO

RADIO 1
(S) Stereo broadcast (when broadcast on VHF)
5.00 am As Radio 2. 7.00 Steve Wright. 9.00 Simon Bates. 11.30 Dave Lee Travis including 12.30 pm Newsbeat. 2.00 Paul Burnett. 4.30 Peter Powell including 5.30 Newsbeat. 7.00 Radio 1 Mailbag with Anne Nightingale. 8.00 David Jensen. 10.00 John Peel (S).

RADIO 2
5.00 am Ray Moore (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 Gloria Hunniford (S). 2.00 pm Ed Stewart (S). 4.00 David Hamilton (S). 5.45 News; Sport. 6.00 Jan Leeming (S). 8.00 Alan Dell. 8.30 Among Your Souvenirs (S). 9.15 Frank Chacksfield (S). 9.50 Sports Desk. 10.00 Tom Mennard tells Local Tales. 10.15 The Wurzels. 10.30 Hubert Gregg. 11.00 Brian Matthew with Round Midnight (S from midnight). 1.00 am Encore (S). 2.00 You and the Night and the Music (S).

RADIO 3
6.55 am Weather. 7.00 News. 7.05 Your Midweek Choice (S). 8.00 News. 8.05 Your Midweek Choice. 9.00 News. 9.05 This Week's Composers (S). 10.00 Haydn and Mozart (S). 10.50 Berlioz (S). 11.30 Folksongs (S). 12.20 pm Shostakovich (S). 1.00 News. 1.05 Summer Season (S). 2.00 Music Weekly (S). 2.50 20th-Century Music for Strings (S). 4.00 Choral Evensong (S). 4.55 News. 5.00 Mainly for Pleasure (S). 6.30 Cambridge University Chamber Choir (S). 7.00 A Song of Summer. 8.00 Cheltenham Festival 1982, part 1: Mozart, Lennox Berkeley (S). 8.40 My Merry Mornings. 9.00 Cheltenham Festival 1982, part 2: Stravinsky, Haydn (S). 9.40 A Century of Poetry. 10.05 Music in Our Time (S). 11.00 Howells (S). 11.15 News.

RADIO 4
6.00 am News Briefing. 6.10 Farming Today. 6.30 Today. 8.33 Yesterday in Parliament. 9.00 News. 9.05 Midweek: Clare Francis (S). 10.00 News. 10.02 Gardeners' Question Time. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.03 Baker's Dozen (S). 12.00 News. 12.02 pm You and Yours. 12.27 Maximum Credible Accident (S). 1.00 The World at One: News. 1.35 Party Political Broadcast by the Conservative Party. 1.40 The Archers. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre. 3.47 Time for Verse. 4.00 News. 4.02 Countryside View. 4.10 File on 4. 4.40 Story Time. 5.00 PM. 6.00 News, including Financial Report. 6.30 My Music (S). 7.00 News. 7.05 The Archers. 7.20 Radio 4 Afloat. 7.45 Animal Language (S). 8.15 Antony Hopkins (S). 8.45 It's Wonderful When It Stops. 9.30 Kaleidoscope. 10.00 The World Tonight: News. 10.30 England, Their England. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

RACING

BY DOMINIC WIGAN

ANOTHER intriguing confrontation for the Child Stakes is in prospect today at Newmarket, for the fillies race on the July Course has brought together the season's most improved second season filly, Chalon, and the Jersey Stakes winner, Merlins Charm.

On the face of things Chalon should have things very much her own way. The Warren Place filly has gone from strength to strength during the season; she followed a win on the Rowley Mile course by landing the Ward Hill Handicap on the way to more important successes gained through wins in Kempton's International Stakes and in the Coronation Stakes at Royal Ascot.

An attractive chestnut filly by Habitat out of the Kythnos mare Areola, Chalon is clearly entitled to top market position. However, at anticipated odds of around 4-7, she makes little appeal in a seven-runner event in which she will be faced with the task of conceding 3 lbs to Merlins Charm, who returned to somewhere near her best with a game success at the royal meeting.

All in all it may be a race better watched than one in which to take financial views.

Half an hour after the Child Stakes, that precocious juvenile Horage will be attempting to extend his winning sequence to seven races in the Anglia Television supported July Stakes. The McCormack juvenile showed the utmost gameness in holding off Kafu in a Coventry Stakes finish dominated by the pair; but I somehow doubt him giving weight to Prince Reymo on this occasion. A less severely tested colt than Horage, Prince Reymo made a successful return to the minimum trip after a six-furlong success at Epsom when wearing down Fire-Thatch in the Windsor Castle Stakes at Royal Ascot three days after Horage's victory there.

For the Princess Maiden Fillies Stakes, a division of which went to Circus Ring in 1981, backers should be wary of opposing that now retired filly's stable companion Krakow. The Stoute-trained juvenile has been working in fine style of late and is preferred to fellow newcomer Gaygo Lady.

NEWMARKET
2.00—Krakow***
2.30—Suggestive*
3.05—Chalon
3.35—Prince Reymo**
4.10—Thug
4.45—Feeling Great

BRIGHTON
1.45—Keep Me Waiting
2.45—Widd
3.15—Barnet Heir

LEGAL NOTICES

IN THE MATTER OF
CLEARVIEW HOME IMPROVEMENTS (LONDON) LIMITED
AND IN THE MATTER OF
THE COMPANIES ACT 1948

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 29th day of July, 1982, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned PATRICK GRANVILLE WHITE, of 1 Wardrobe Place, Carter Lane, London EC4V 5AJ, the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 24th day of June 1982.
P. G. WHITE, Liquidator.

THE COMPANIES ACTS 1948 TO 1976
GOODYEAR GIBBS (CARIBBEAN) LIMITED

NOTICE IS HEREBY GIVEN, pursuant to section 293 of the Companies Act 1948, that a Meeting of the Creditors of the above-named Company will be held at the offices of Booth White & Co., 1, Wardrobe Place, Carter Lane, St. Paul's, London EC4V 5AJ on Friday, the 16th day of July 1982, at 2.30 o'clock in the afternoon, for the purposes mentioned in sections 294 and 295 of the said Act.

Dated this 30th day of June 1982.
By Order of the Board,
R. GOODYEAR,
Secretary.

PUBLIC NOTICES

GLOUCESTER CORPORATION
£200,000 Bills issued today due 6.10.82 @ 12 17/64%. Total apps. £800,000. Outstanding £200,000.

KIRKLEES METROPOLITAN COUNCIL BILLS
£4m Bills from 7.7.82 to 6.10.82 at 12¼%. Applications £35m, £7½m outstanding.

COMPANY NOTICES

FIDELITY FAR EAST FUND
Société Anonyme
Luxembourg, 37, Rue Notre-Dame
R.C. Luxembourg B 16926

A dividend of US$0.20 per share will be payable on or after July 30, 1982 to Shareholders of record on July 9, 1982, against surrender of Coupon No 2.

Paying Agent
Kredietbank S.A. Luxembourgeoise
43, Boulevard Royal
Luxembourg

COMPAGNIE FRANCAISE DES PETROLES
Payment of Dividend

The Annual General Meeting of Shareholders held on June 25th 1982 has set the 1981 dividend at Fr 15 payable as from July 2nd 1982.

Residents of the United Kingdom will receive, in exchange for coupon no. 60, an amount of Fr 19.125.

Payment of the above amount will be settled upon presentation of the coupon and completion of form RF 4 GB according to the terms of the double tax convention between France and Great Britain. However, as concerns securities deposited in banks established in France or in the United Kingdom, this form can be deposited at any time up to December 31st of the year following collection of coupons.

The coupons should be lodged with Banque de Paris et des Pays-Bas, 33 Throgmorton Street, London EC2N 2BA where appropriate claim forms and further information can be obtained.

Payment in respect of coupons will be subject to deduction of UK income tax unless claims are accompanied by an affidavit. The exchange rate used will be that effective on the date of each payment.

RHYTHM WATCH CO. LTD.
(Rhythm Tokei Kogyo Kabushiki Kaisha)
NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS ("EDRs")

NOTICE IS HEREBY GIVEN to holders of EDRs that Rhythm Watch Co., Ltd. paid a dividend of Y3.00 gross per Share on 30th June 1982 to shareholders on the Company's register at the close of business on 31st March 1982. This dividend has been converted to US Dollars and amounts to US$11.59 gross per EDR.

Accordingly, Kleinwort, Benson Limited as Depositary informs holders of EDRs that they should claim their dividends by presenting Coupon No. 10 on or after 8th July 1982 at (a) the office of the Depositary Kleinwort, Benson Limited, 20 Fenchurch Street, London EC3P 3DB, or (b) the office of the Agent, Banque Internationale a Luxembourg S.A., 2 Boulevard Royal, Luxembourg.

Coupons must be left for three clear business days for examination, and may be presented on any weekday (Saturday and public holidays excepted) during normal business hours.

Japanese withholding tax at the rate of 20 per cent. will be deducted from the gross value of all dividends paid unless the EDR holder lodges, in a form acceptable to the Depositary, an affidavit of residence in a country having a tax treaty or agreement with Japan providing for a lower rate of withholding tax, in which case such lower rate will be applied.

The difference between the amount of withholding tax so deducted and the standard rate of income tax payable in the United Kingdom will also be deducted from all dividends paid in the United Kingdom unless holders of EDRs furnish the Depositary with the usual affidavits of non-residence in the United Kingdom.

KLEINWORT, BENSON LIMITED
Depositary.

London
2nd July 1982.

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

The man who must engineer a miracle

The director general of Britain's new Engineering Council talks to Christopher Lorenz

KEN MILLER is a taciturn but persuasive man. The fact that many people should consider his new job to be one of the most thankless in Britain troubles him not one iota — except insofar as they might mistakenly think it was also unimportant. They may soon change their minds.

Within days of taking over as the first director-general of the new Engineering Council, Miller yesterday plunged into the first of the council's many unenviable tasks: persuading the country's 50-plus societies and institutions of engineers to accept its plan to start taking over the registration of engineers in just six months' time. This is 18 months earlier than many of the institutions expected: they had fought tooth and nail in the first place against the Government's decision to establish the council.

Acting as a cohesive influence over the engineering profession's specialised institutions — mechanicals, chemicals, metallurgists and so forth — is only one of the roles Dr Miller has bitten off for himself. To fulfil the remit handed down by the Government after over a year of bitter infighting over the conclusions of the Finniston Report into the status of engineers in Britain, he must also try to do the following:

- Improve the quality of engineers, especially by influencing the way engineering is taught in schools, colleges and universities.
- Persuade Government itself to shift more resources into engineering.
- Secure the council's financial viability beyond the £1m three-year start up contribution provided by the Government.

Tall order

- And, perhaps hardest of all, start to overturn the widespread social antipathy towards engineering which has been built into all of us by more than 150 years of history and "liberal" (as opposed to practical) education.

Even with a council membership of some highly influential individuals, it is an enormously tall order for Miller, his chairman Sir Kenneth Corfield and a staff which will eventually number at most 30—less than half the number that was mooted at one stage.

But he is full of enthusiasm for the task in hand. "I reckon that things are changing in this country," he says with a gentle smile. "Some of the sacred cows are being shaken up. Just look at the changes in labour relations, or the impact of the UGC cuts on the balance of university courses. I think the same sort of thing can follow from Finniston. A lot of people will howl and not like the things being done. But we are determined."

As one of the handful of industrial members of the UGC (University Grants Committee), whose cuts last year have indeed provoked howls of protest from the university establishment, he knows what he is talking about: his mild manner cloaks a steely resolution, as the professional institutions are finding out.

But what about the overwhelming problem of social attitudes: the notion that being involved with engineering is "getting your hands dirty," and that people who are engaged in "thinking rather than doing" (to quote an eminent writer on the subject) are somehow superior? How can Miller start to chip away at the public image of the boiler-suited engineer with a spanner in his hand, a notion which would be laughed out of court in countries like Germany, Italy, Sweden and Japan, where engineers are highly prized members of society?

"You won't raise the status of engineering in society by shouting," Miller says characteristically. "You'll get it accepted by helping people to realise that wealth is created by making things — and that engineers do a lot of the creating. The penny is already beginning to drop that we need to look after the people who create the wealth."

It is not surprising that the Engineering Council's members — a mixture of businessmen, trade unionists, academics and others—made Miller the unanimous choice for the job.

A quietly genial man who will celebrate his 56th birthday in three weeks' time (without much fuss, one assumes) he has the best possible catholic pedigree. He graduated from Trinity Hall in Cambridge in 1946 with a first in mechanical science and a distinction in aeronautics. After gaining his doctorate at Aberystwyth in the requisite three years (none of this latter-day fashion, much frowned on by the grant-givers, of taking five or six years to complete a doctorate), he embarked on what was to become a 25 year career in ICI.

In what is now familiar Japanese style, he moved through design, production engineering and other fields before ending up with responsibility for co-ordinating all ICI's engineering activities. In the middle he helped what is now British Rail to manage the electrification of the London to Manchester line, and to originate the Liner train concept.

Eight years ago he left to become managing director of a small part of APV, a public company which makes a wide range of process plant, especially for the food and drinks industries.

By 1977 he was managing director of the APV groups, and by last year of all of it—in charge of £293m worth of sales and 5,500 employees. In this role he not only had to spearhead the rapid application of electronics to the controls side of the business, but also had to deal with the problems created for long-term investment projects by APV's dependence on the stock market: "it forces you to think short-term," he complains, along with many engineering company executives on both sides of the Atlantic.

He took on the Engineering Council job partly because of the obvious challenge it provides, and partly because he felt he needed a change. "Once you've done three or four years of supervising, the same thing comes up again and again—it coincides with the business cycle. You lose a bit of your edge."

He is hardly likely to do so at the Council, unless reactionary forces in the engineering profession, Whitehall, the educational establishment, and society at large succeed in swamping his initiative.

Miller admits that much needs to be done to improve the quality of training at all levels of engineering: from engineering technicians up through technician engineers to the cream, chartered engineers (including graduates). The apprenticeship side in particular is "creaking at the seams," he points out.

He is especially critical of the attitude of mind engendered by most existing courses, at all levels of education. "The relative cost of doing things two different ways is hardly ever touched on," he says; money is used as a scale of measurement far less often than engineering elegance. Hence, in part, the debilitating syndrome in industry of the engineer who can only think technically. Not only does it harm the performance of his company, it reinforces the image of the engineer as commercial ignoramus.

Just as serious, says Miller, is the kudos universities attach to research as opposed to product design and development. "It is just as intellectually demanding as R and D itself—and many more man-hours are spent on it in industry. But even there its importance is not sufficiently appreciated, so that it's often skimped."

Miller may tilt at many of his fellow engineers, and at the educational system which produces them, but he goes out of his way to stress that he thinks some people's criticisms are overplayed. Good British engineers are "very good," he says; the problems lie with the others.

On the other hand, he is damning about the way that some British companies use their engineers. "The ones which didn't know how to use them are fast going to the wall," he claims, citing much of the car industry as a case in point.

Miller's discreet style, and his emphasis on industry's need to put its own house in order as much as possible, will assist his lobbying in Whitehall and elsewhere for a greater, though highly selective injection of government funds. He particularly supports the Department of Industry's Product and Process Development Scheme, for example, and the Manufacturing Advisory Service. But he would like to see more government funds applied to product development in industry.

Enthusiasm

As for the promotion of engineering in society at large, he intends to build on the two competitions whose running he has taken over from the DoI: the "Young Engineer of the Year," and the "Prince of Wales Award for Industrial Innovation and Production" (which receives a lot of coverage on BBC-TV's "Tomorrow's World").

Other initiatives may follow, but in the meantime Miller draws encouragement from the enthusiasm schoolchildren are showing for microcomputers. "It's very useful, because it will help to build bridges between the sort of people who become innumerate arts graduates and illiterate science and engineering graduates."

Lest anyone should think he is trying to shore up a dying profession like King Canute forlornly attempting to arrest the inevitable progress of the waves, Miller retorts that engineering is "not dying at all, but shifting." Though there is some decline in civil engineering, he sees exciting growth prospects for engineers in electronics, bio-technology factories and elsewhere. "You'll still need mechanical engineers in all these areas," he points out.

Though he concedes that there is an alarming number of industries at the top of the "S curve," on the edge of decline, Miller's vision of the future for the British engineer is refreshingly hopeful after all the gloom of the last few years. But first the "engine of change" which Finniston called for — the Council itself—must get into gear. With Miller at the wheel, it must steer slowly up a minefield-ridden gradient which is set at about 89 degrees to the horizontal.

Ashley Ashwood

Ken Miller on the shopfloor; he has to chip away at the public image of the boiler-suited engineer

BOARDROOM BALLADS

THE HIDDEN AGENDA

No human heart, they say, can yearn
For what the eye does not discern;
Except, that is, down in the City,
Where the Invisibles Committee
Is stirred to hidden depths of yearning
By what we cannot see we're earning.

★

And floating, as their name befits,
Unseen, above our deficits,
They conjure from the upper air,
Just like the man who wasn't there,
Mysterious surpluses of trade
From products which were never made.

★

So, when the visibles are slipping,
Or sterling dangerously dipping
Into its periodic voids,
They calmly levitate from Lloyds,
Or unseen royalties and fees,
The means to raise us from our knees.

★

Thus, month by month, they float the nation
By acts of prestidigitation,
Materialising from the skies,
Below the threshold of our eyes,
The cure for Treasury dejection
By extra-sensory perception.

★

I close my eyes to get a fleeting,
Dark illusion of them meeting,
With vague, impressionistic spasms
Of men outside their ectoplasms—
A chairman, and his ghostly members
With poltergeistic non-agendas.

★

And, opaque as the general scene is,
They pull, like latter-day Houdinis,
Before our eyes see what they're at,
The earnings rabbit from the hat;
Then off into the dark air gripping
Insurance premiums and shipping!

★

They do say there by passing strange
Doings at the Stock Exchange,
Where, disembodied at the table,
They're non-corporeally able
To do extraordinary feats
With our invisible receipts!

Bertie Ramsbottom

Next week: The job description

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Visit to debtor

Is there any legal impediment to a creditor calling upon a hard core debtor at the latter's place of employment?

There is no legal impediment but you may find that there are a number of possible obstacles and risks; thus the employer may not permit you onto, or to remain on, his property sufficiently long to accomplish your mission and you must be most careful not to lay yourself open to a claim in defamation, or to cause a breach of the peace.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

TECHNOLOGY

EDITED BY ALAN CANE

Audio disc system

Step nearer better music quality

BY ELAINE WILLIAMS

PHILIPS, the Dutch electronics group, will take a step nearer the introduction of a new audio disc system next month when it begins pilot production of the disc players at its audio factory in Hasselt, Belgium.

The compact disc, developed jointly by Philips and Sony in Japan, should appear in the UK before the end of the year. It will provide music enthusiasts with sound quality presently beyond all but the most expensive hi-fi systems.

It is a small 4½ inch disc which stores up to a hour of music on a single side in the form of tiny microscopic pits. The pits, lying along a helical track some 2½ miles long, are coded as a digital signal.

The digital signals are buried beneath the surface of the disc—protected by a transparent plastic layer, from dust, dirt and scratches.

The signals are read by a laser stylus which is focused on the pits beneath the surface so affect the sound quality.

Philips hopes to have three different models of the compact disc player available at, or shortly, after the launch date. Prices will start at about £350 which, initially, puts the system out of the mass market.

The player will link directly into the conventional hi-fi system. Because of the coding system adopted on the disc, the player can be programmed to play the tracks in any order, to display track titles, or move across the disc at high speed, making it far more sophisticated than conventional record players.

As the disc is so small, Philips believes that it can be used in portable equipment and the company is putting great emphasis on developing a small version which can be used in cars.

The company is to limit its launch to four European countries because Polygram, the world's largest record combine, will not be able to produce sufficient discs to support a larger scale introduction of the players.

At about the same time as Philips enters the UK, West German, Dutch and French markets, Sony will attack its home ground in Japan supported by CBS-Sony with the disc production.

Philips will not sell the players in the U.S. before the end of 1983 at the earliest. It has been hampered in that market by the inability to find a suitable partner

Mr Bert Gall, who is responsible for the compact disc at the company's headquarters in Eindhoven said that this was not a major problem. He said that it meant that Philips could concentrate on the very individual European markets before attacking the U.S.

So far about 30 audio equipment manufacturers including Grundig, Bang and Olusfen, Akai, Toshiba, Hitachi and Sharp have agreed to use the standards for compact disc which ensures that there will be a world standard for the system unlike the problems encountered in video for both discs and cassette.

Overall, the music industry is cautiously optimistic about the new system, as it hopes that the compact disc will stimulate records sales in a very depressed market.

Many record producers, however, are reluctant to invest in the expensive disc making plant before a mass market is opened up for the players.

A rare glimpse of the Paris work on electronics

French way to beat the nasty shocks

BY GEOFFREY CHARLISH

AT A French Government establishment on the outskirts of Paris they are trying to prevent helicopter winchmen from getting nasty shocks, measure electrostatically the tiny forces produced by solar radiation on spacecraft, and even generate their own kind of lightning.

It was all revealed in an all too rare exposition of French Government electronics at l'Office d'Etudes et des Researches Aerospatiales (ONERA) at Chatillon sous Bagneux.

ONERA is the rough equivalent of Britain's Royal Aircraft Establishment at Farnborough and Bedford. Chatillon is one of three groups of establishments; a second, with a big industrial wind tunnel, is at Mondane in the Alps, and the third is at Toulouse where a subsonic tunnel went into service in 1977.

In 1981, ONERA, with 2,000 employees, deployed operating funds of FFr 540m and invested funds of FFr 90m on plant and equipment.

Electrostatics have taken on a new significance in recent years. As avionic equipment uses more and more microcircuits with smaller and smaller operating voltages and currents, the chances are increased of a malfunction due to static discharges and their related fields or metal-conducted currents.

But there can be other, more obvious effects. For example, aircraft normally discharge themselves electrically on landing (the tyres are conductive). But a helicopter attempting to winch up survivors from the sea may lose its charge through the winchman and the survivors: it is possible for them to be rendered unconscious.

So at Chatillon they are trying to develop a device that will prevent charge build-up—particularly prevalent in the rotor-induced spray conditions—by passing a reverse "space current" from helicopter to sea surface.

More potentially dangerous, however, is the effect on flight systems. Work at ONERA was accelerated by the fate of the ELDO rocket some years ago which, after eight years' work and FFr 3bn, failed when an electrostatic discharge shut down the on-board control computer during flight.

Non-metallic

Many ordinary aircraft are grounded even in 1982 during electrical storms since their radio beacon directional receivers (VOR), instrument landing systems (ILS), and radio compasses can become disturbed and unreliable due to static.

Electrostatic problems are being exacerbated by the use of increasing amounts of composite non-metallic material in aircraft structures—in radomes (radar aerial covers) for example. Such materials do not conduct charge away as readily as aluminium alloy.

One of the ONERA developments is a new kind of coating which is electromagnetically transparent, allowing the radar microwaves to pass through, but conductive enough to prevent charge build-up. Its efficiency is measured by a specially developed push-on surface resistivity meter.

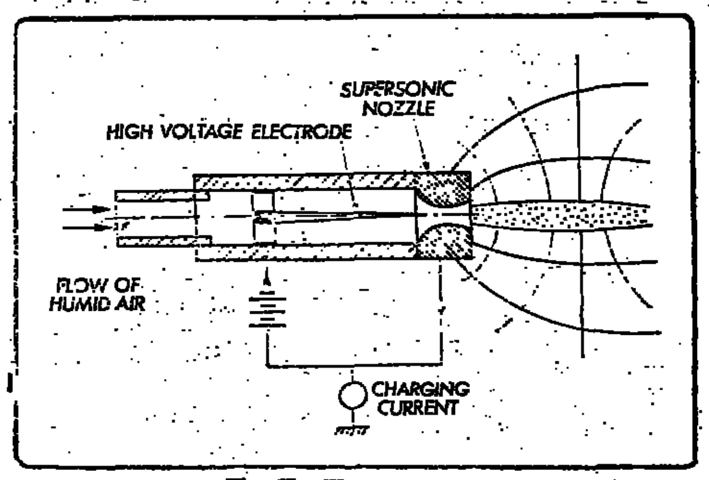
Other work is directed at perfecting resistive devices at static discharge points and edges on the aircraft, preventing sparks between flaps or airbrakes and the wing surfaces.

The snag with this kind of investigation is that standard conditions are not easy to reproduce.

So to put controlled quantities of charge on to surfaces, a team at Chatillon has developed a "spray gun" for charged particles. Humid air is passed coaxially over a high voltage electrode and through a supersonic nozzle, where it turns into a stream of charged ice microparticles.

More fundamentally, the way in which discharges take place over surfaces is being looked at. A pneumatically driven mobile charging comb connected to a high voltage source is passed over the test surface.

A discharge is then triggered over the test surface and the rate of its progress is measured by means of optical fibres placed at intervals down the discharge path. As the light of the discharge passes it goes down each fibre in succession. At the same time the patterns are photographed.



The Chatillon spray gun

Perhaps the most remarkable application of electrostatics at ONERA is in design of accelerometer, for use in space, that has a sensitivity of one ten billionth of one "g." At such levels, the forces due to sunlight falling on skin of a spacecraft can be measured.

The instrument consists essentially of a heavy ball which (in no-gravity space) is floating freely and centrally inside an outer spherical shell. Changes in radiation intensity on the outer shell will tend to make it move.

However, a feedback loop and position sensor generate a voltage which, applied to electrodes will generate an electrostatic force; restoring the outer case to its concentric position. The case "stays put" and the accelerating forces are measured by the applied voltage.

The importance of the device is that it can provide important data about the perturbations of spacecraft due to solar radiation and residual gravitational effects in space.

But electrostatics is only a small part of the total effort at ONERA, which is equipped, like most similar establishments in Europe and North America to tackle the whole field of structures, engines, wind tunnel testing, missile systems and general physics.

It is, for example, something of a specialist lab for vibration, having examined bridges such as that at St Nazaire, cars, the French high speed train and even the humble ski.

Brunel's costly 1848 railway failure revived by Brazil

Air pressure to push the commuters on their way

THE CONCEPT of Isambard Kingdom Brunel's "atmospheric railway," a costly failure in southwest England in 1848, has been revived in Brazil. The designer of the 20th century version, Oskar Coester, however, had no knowledge of Brunel's experiment more than 130 years before.

Coester's company has just been given the go-ahead to build a 1.2 km single-track line at the Administrative Centre in Porto Alegre. If the service, using 150 passenger capacity cars pushed by air pressure, is a success, a 7 km line will be built linking the Administrative Centre with Porto Alegre's new S-Bahn style commuter railway.

A second track would be added raising line capacity to 12,000 passengers an hour. Average speed of the lightweight cars (including stops) will be 35 km/h. Coester claims his railway can be built for one-third of the cost of a light rail line.

Brunel's system used a close-fitting piston in a cast iron pipe laid between the rails. Stationary steam engines at intervals along the line worked large pumps to exhaust air from the pipe. As air in the pipe in front of the piston was pumped out, the piston, connected by an iron plate through a slit in the pipe to the rail vehicle, was driven forward by atmospheric pressure to propel the train.

Airtight seal

The system was applied on a 32.2 km section of railway track between Exeter and Newton Abbott but the project was abandoned after eight months because of difficulties in maintaining an airtight seal along the slit in the pipe. The slit was closed by a leather flap which had to be lubricated to keep it supple.

Brunel's failure was in no small measure due to the rats which gnawed the leather to feed on the oils.

Coester's system encloses a much larger pipe with a rectangular steel or plastic flap fixed to the vehicle frame. The flap effectively blocks the 1.5m by 1m duct cross section and absorbs energy from the air flow in the duct.

It has a thrust proportional to the differential air pressure produced by a conventional centrifugal design ventilator located in the station ahead of the vehicle. Pressure and airflow control are achieved through a throttle valve located inside the ventilator intake tube.

The switching problem—moving from one track to another—has been solved by using conventional switches on the track coupled to a door valve device in the air duct which shuts off the unused section.

Advanced technology has solved many of the problems, such as speed control, encountered by Brunel. The Coester car will operate in more benign atmospheric conditions than Brunel's vehicles. The air pressure difference is much lower than in the relatively small diameter pipe used in Brunel's spectacular failure.

Plastics

Reducing heat loss

A COATED plastic sheet, claimed to cut heat loss from windows by two-thirds, has won the £10,000 first prize in BP's energy research competition.

The sheet, developed at Loughborough University of Technology, can be fitted in new windows or mounted on existing window frames.

Its coating, a metallic oxide, is transparent to visible light but reflects heat, reducing radiation heat loss and retaining the maximum amount of heat from the sun.

Loughborough's main innovation was in developing the method of coating the sheets, using a technique called "planar magnetron sputtering." This produces a durable surface capable of protecting the plastic from scratching as well as giving the necessary optical qualities.

The sheet, if put into commercial production, would cost about £1 a sq metre from a plant producing 10,00 sq metres a day. It is claimed that a typical installation would pay for itself within a year.

Second prize went to the University of Tubingen, West Germany, for a process to convert sewage sludge into fuel oil.

The project uses relatively low temperatures—250°-350° C to produce a low-sulphur oil with a calorific value similar to natural crude oil.

France's National Centre for Scientific Research, at Orleans, won third prize with a highly imaginative project to produce hydrogen from water and sunlight using a photocatalytic system.

The system uses clay-like minerals bearing opposite electrical charges and carrying catalysts to cause charge separation and gas production.

The system has so far only been operating for very short periods, but the process—which reproduces natural photosynthesis—has shown itself to be feasible.

Peter Walters, BP chairman, presenting the prizes, said that although the world energy crisis has eased since the competition was started in 1979, the need to develop new energy technologies was as urgent as ever.

THE ARTS

Television

Michael Coveney

This sporting life

Take a week off, they said. Watch some television. It doesn't matter what you say, Chris Dunkley will soon be back to bring a whiff of professionalism to the column. He won't bring back Brazil, though, will he? Mama mia, Maradona!

At the outset, I will say that only one of my tips is through to the World Cup semi-finals—West Germany. I am disappointed at the early exit of the Soviet team, thrilled by the success of the French and moved to tears of joy at the hard-won managerial triumph of Enzo Bearzot. The Italians should have done much better in both 1974 and 1978. Their 3—2 victory over Brazil on Monday afternoon was one of the truly great soccer matches and one of the outstanding television occasions of the year.

It has been a punishing few weeks for the silent majority who know that television does nothing so well as cover sport. Why *should* the armchair fans be thrown on the defensive by the moronic anti-sport brigade? Nothing from Sir Robin Day, "Play For Today" or even *The World About Us* can provide anything as exciting, vivid or immediate as Patil hitting six successive fours off Bob Willis in the Second Test at Old Trafford, Billie-Jean King beating Tracy Austin in the Wimbledon quarter-finals last Wednesday, or Paolo Rossi overcoming the Brazilians with great play and an already legendary hat-trick.

In all three instances commentary was apt. Jim Laker, alas, forgot to mention that Patil's feat equalled the world record for Test Matches in England, but then hardened cricket fans put up with a lot from Jim Laker. The bonus was that Tony Lewis had been drafted in to cover Old Trafford while Peter "Whispering" West had been mercifully despatched to Court No. 1 and lots of rain at Wimbledon.

"Pudding heads who have no feeling for sport begin to sound like a tone-deaf deputation picketing music on the South Bank. If you go to the Elizabeth Hall, expect to hear music. If you turn on your television, expect to watch sport."

Pudding heads who have no feeling for sport begin to sound like a tone-deaf deputation picketing music on the South Bank. If you go to the Elizabeth Hall, expect to hear music. If you turn on your television, expect to watch sport. That's what it's there for. This may sound like a minority view (people like me with minority views have high hopes of Channel Four) but it isn't really. Everyone likes it! Even Sunday paper columnists watch it all the time and then try to excuse themselves by abusing the commentators. What hypocrisy! None of them could hold a candle to even John Barrett when it comes to describing the technical skill of a cross court passing shot or the background form of individual players.

Hang on, this wasn't the point of the column at all. I was hoping to take a look at drama on TV, seeing as I spend five nights a week in the live theatre. The single play does not get much of a shout this time of year, but ITV launched a new series of Playhouse on Saturday night with *The Houseboy* (Yorkshire) by Irving Wardle. Mr Wardle, dammit, happens to be the drama critic of The Times and, even more dammit, has done an excellent re-write job on a piece that the little Open Space Theatre premiered some eight or nine years ago.

On that occasion, a callow music student was taken to one side in the kitchen of a small hotel and told about sex by Thelma Holt (currently running the Round House) in black underwear. Now, and much more convincingly, John (Stephen Garlick) was caught in the pathetic cross-fire of two middle-aged homosexuals, brilliantly played by Richard Pasco and Geoffrey Palmer. It was a small play, but it knew its limitations. Mr Wardle was indeed a music student and one felt he was paying an affectionate tribute not only to an episode of his own past, but also to the playwright he most admires (and was one of the first to acknowledge), Harold Pinter. Not a word was wasted; not a word too high-flown.

The Houseboy clashed not with sport, but with a Frank Sinatra Special on BBC 1 (I caught a glimpse of the maestro shrugging his way with incomparable, musicianly timelessness through the *bossa* classic "The Girl from Ipanema") and Dirk Bogarde giving one of his finest performances in a BBC 2 showing of Fassbinder's *Despair*. I punched buttons for 90 minutes and saw not a ball kicked, bowled or served.

Things were getting desperate. The whole notion of TV gloom was being carefully re-defined, however, by the Birmingham outpost of the BBC. On BBC 1, *Saturday Live* died a frantic death despite the good offices of Gloria Hunniford, a singing amalgam of Katie Boyle and Terry Wogan (her hair, his make-up). Ms Hunniford is great on Radio 2 and a little anxious to please on the box. It could be early days, though, in an auspicious career. I just hope she doesn't end up counting Eurovision Song Contest votes.

She was stuck here with an awful brantub of hooray Nite-Lifers, sycophantic pluggery (mostly perpetrated by Simon Bates sucking up to the cast of *Pirates of Penzance* in London) and last-ditch efforts to make Pebble Mill look lived in. At one point she introduced a lunatic who had hired the Albert Hall and a scratch orchestra in order to perform Schubert's C Minor for a bet. He was hoping "to get into conducting in a big way." I suggest the No. 24 bus route. Unless the music critics think differently.

Even worse, because more calculated, was Pebble Mill's *Six Fifty-five Special* (BBC 2) which threatens to cast a nightly pall over the cocktail hour until late August. Sally James (ex-*Tiswas*) and David Soul (ex-Hutch) are our unnecessary hosts. After Monday's embarrassing fiasco, they promised, as if pleased with themselves, Molly Parkin and the Earl of Lichfield for Tuesday. Honestly, it makes you glad to be going out to the theatre each night.

Apart from sport, the best things all week were children's programmes, despite Professor Stuart Hall's analysis of them for the Open University (BBC 2) on Sunday morning. BBC's *Playschool* and Thames's *Rainbow* lead the field, albeit in violently contrasting styles. This contrast is less of a problem for small children than it is for Professor Hall.

Brazil v Italy had only one serious rival: an ITV Monday morning programme about the Mbuti pygmies who inhabit the Ituri forest in Zaire. An American import, it was a totally fascinating and absorbing film about how a small group of small people will live for months on elephant flesh, bravely hunted. This, like the soccer, was real life. To love theatre, you have to love life. There is, sometimes, a connection. I fancy Italy.

La sonnambula/Covent Garden

Ronald Crichton

Luciana Serra

The revival of Bellini's *La sonnambula* brings Luciana Serra (Olympia in the Covent Garden *Tales of Hoffman*) as the sleep-walking Amina. A bright, forward, securely-placed voice, neither hard nor deeply lyrical; excellent intonation. Though there was not much shading in the singing one was grateful for the cleanness and clear brilliance. With "Ah! non credea" in the last scene the finer shades came too. The formidable cabaletta to that aria was slightly rushed, even twittery, but Miss Serra deserved her big success.

Amina's perplexed swain Elvino was sung once again by Dennis O'Neill with tone less well-focused than his partner's but more musical, more interesting phrasing and, in his solo scene, a warmth of expression recalling his most likeable Nemorino in *L'elisir d'amore*. A newcomer to Covent Garden and to this country was the Hungarian bass Laszlo Polgar, a correct, dignified Count Rodolfo, a little too shy perhaps on Monday to give his singing the lustre and presence the music demands. Teresa Cahill sang the jealous Lisa — attractively warm sound, unfortunately with the words clinging to the back of her throat.

I like most of Filippo Sanjust's romantic Swiss views, executed as a kind of fantasia on traditional methods of scene-painting, but in his other capacity as joint producer with Richard Gregson Mr Sanjust's dispositions are inhibiting to the chorus. The men wear their William Tell hats with an air, but they and their womenfolk stand around to a degree which casts a slur on the industrious Swiss peasantry and throws a heavy strain on some pages of Bellini's score which cry out for the kind of unobtrusive movement used in the famous Visconti production. Maurits Sillem conducted. His competence was rewarded at curtain-call with a solitary, loud and unjustified boo among general applause.

Duck Hunting/The Gate at the Latchmere

Rosalind Carne

Aleksandr Vampilov died in 1972 and this is the first time one of his plays has been shown in this country. I find it hard to recommend as an evening's entertainment, but it is certainly an interesting theatrical document.

There is nothing very dissident here; the strains of existence under Communism are mollified by a crudely humorous outlook. Nevertheless, it does afford an intriguing glimpse into the oppressive stultification of modern urban Russia, as well as an indication of what is permissible on the Soviet stage.

Chekhov, notably *Ivanov*, is the obvious source of inspiration, yet *Duck Hunting* is a good example of the way in which the legacy of genius can restrict as easily as it can nurture. Zilov is a bored cynical engineer for whom the annual Duck Hunt has become a symbol of escape from the mediocracy of his work, his friends and his marriage. His wife, Galina is devoted and sympathetic, but he finds her tedious, preferring the company of a series of attractive mistresses. Having endured his ill-treatment and indifference for five years, she finally deserts him for an old school pal.

We meet our unlikeable hero in his tiny, grey flat at the beginning of the hunting season. A prolonged flashback leads up to his personal crisis (Chekhovian pastiche) and introduces a gallery of stock characters—colleagues from the Central Bureau of Technical Information, assorted girl friends, and his hunting partner Dima, who, unlike them, is free from the taint of hypocrisy.

Annie Hayes gives the only genuinely affecting performance as Galina. Her heart-felt interpretation encouraged me to believe that a more careful handling throughout might rescue the play. John Abbott's Zilov is a convincing personality but sufficiently unsympathetic to muddle the ethics of the piece.

This theatre's resident director, Lou Stein, has allowed the rest of the cast to rely on a superficial and spikey comic exaggeration, with the exception of Natalie Ogle who brings a touching innocence to her portrayal of the student Irena.

Pascale and Pip have created a spartan design of painted flats and the concrete view from the bedroom window is as horrifying as anything in the text. The translation by Alma H. Law sounds somewhat stilted though, in my ignorance of the original, it will be easier to judge on hearing Peter Tiegel's version for the National Theatre later this year.

All's Well That Ends Well/Barbican Theatre

B. A. Young

"It's this unwontedly realistic quality about *All's Well* that for me sets it so high among Shakespeare's comedies," I wrote of a previous production and this new production under Trevor Nunn's direction is more realistic than ever. Not *believeable*, of course; we aren't to think that in the first decade of this century, which is the time Lindy Hemming's costumes suggest, there was a war in which French soldiers of fortune were serving in the Florentine forces. But realistic in the way the characters think and behave, avoiding their duty if it seems unattractive, giving way to the lightest temptations once they are away from home, just as if they were in Spain watching a football match.

There is a slight snag about such realism and this is that the bad characters are so much more likeable than the good ones. Harriet Walter's Helena is an admirable performance, but by God what a dull person this Helena turns out to be. The Florentine Diana, who lures the unfaithful Bertram to her bed but substitutes Helena in the dark, as if *she* were Mariana from the moated grange, is twice as much fun and Cheryl Campbell has a splendid time with her.

The same applies to the men. Not that anyone could call Bertram a good man by any stretch of the imagination, and his ultimate pairing-off with Helena is about as improbable as Mariana's; but since Shakespeare insisted that his hero and his heroine did ultimately walk off the stage together, that is to say, that the play was a comedy, we must assume that his last-act repentance turned him from a goat to a sheep. So Philip Franks plays him as a potential sheep throughout, pleasant enough but not very entertaining.

On the other hand, Parolles is a thorough-going wrong-un and Stephen Moore has a marvellous time with him, whether he is a court braggart or a down-and-out after his ragging by the Florentines. In fact there seems little doubt that Mr Nunn intends this to come near the edge of farce. The soldiers have a great time with the imaginary language in which they question Parolles; whether they really say "Boskos vauvado" and "Oscorbidulochos volivorco" I can't swear, but they say something equally unintelligible.

There is higher-grade comedy elsewhere, in the dignified scoffs of Lafeu, as Robert Eddison plays him, and in the interesting Lavache of Geoffrey Hutchings, bent double like Rigoletto and, like Rigoletto, pretty contemptuous of the upper classes.

But where true dignity is required, it is amply provided. Peggy Ashcroft as the Countess of Rossillion is perfect, noble, maternal, affectionate by turn and speaks with such clarity that one longs for another generation of actors of her calibre. John Franklyn-Robinson didn't seem to me to be suffering very much from his fistula, even though it confined him to a wheelchair; but once Helena had performed her magic cure and he had become erect again, even lively, he was a true king, if only of France. The dance he had with Helena to demonstrate his revival was courtly; but the dance of the Florentine soldiers later on made me think of *Woyzeck* with its hint of hidden menace. The musicians that played for these affairs made an appearance of their own as the regimental band after whatever campaign it was that the Florentines had been fighting.

The designs by John Gunter, depending a good deal of sliding panels, are never obsessive and always appropriate. The whole production, in fact, seems to me admirable, strongly to be recommended.

Leonard Burt

Peggy Ashcroft and Harriet Walker

Nepalese Dances/Bloomsbury Theatre

Clement Crisp

I find the group of Nepalese dancers and musicians, who are at the Bloomsbury Theatre for the rest of this week, very jolly.

Their dances are in the main short—an immediate bonus for the habitué of folk-dance troupes; their manner is direct, engaging; presentation is simple to a point of austerity and none the worse for that; there seems not one over-blown, over-decorated item.

If this does not immediately attract the viewer curious to find out more about the varied —and they *are* varied—dances of Nepal, let me add that the emotional climate of the evening is buoyant, that the performers seem naturally jovial and that there is that rare feeling of authenticity about the proceedings which nothing can replace.

My knowledge of Nepal is limited to this evening's entertainment, but years of watching tricked-out, trumped-up ensembles from the four corners of the globe has taught me that these dancers from the roof of the world are entirely unaffected in their delight in dancing, drumming and playing for their public who, last night, included HRH The Prince of Wales.

Movement is in the main lively; dances for men and women tend to end on an accelerando, and the flash of costumes, the bright eyes and bright steps of the dancers, are uncompromisingly charming.

Beautiful and sprightly a Maithali dance from the southern borders of Nepal, the roulades of the accompanying flute matched by the vivid trippings and alert rhythms of its interpreter, Miss Shanti. Greatest fun the peacock dance—peacocks, we were told, dance at the sound of thunder in Nepal.

The evening, in sum, is unsophisticated in manner, though complex in components; and a welcome breath of a fresher air than we usually breathe in the city.

Henze's Barcarola/Barbican

David Murray

Hans Werner Henze's *Barcarola* arrived in London yesterday, a little late (its Zürich première was two years ago), steered by the composer himself with the London Symphony as crew.

Barcarola proceeds for 20 minutes, like a gross expansion of one of Liszt's *Lugubre gondola* pieces (themselves inspired by the funeral of Wagner in Venice). I have not seen the score to explore it, but it seems likely enough that there is a Lisztian quotation amid the sombre hubbub—Henze has always been ready to over-egg the pudding.

The work opens with threatening drums and a shuddering bass semitone; there is a brazen fanfare for Charon, to be reiterated implacably later, while keening lines in Henze's *arioso* vein begin to stretch out. The official barcarolle-theme comes at last on solo viola, very gently.

The prevailing tone is violent and expressionist. As the material is developed, successive furious waves rise higher. The last climax is shattering and it subsides to disclose a vision of "the other bank," the homecomer's Ithaca—but here the evident parallel with Strauss's *Death and Transfiguration* fails, for there is no elevated optimism; only a frail, chiming ostinato.

Arts news in brief

Krisztina Laki is indisposed and will be unable to appear as planned in the role of Sophie in the performances of *Der Rosenkavalier* at Glyndebourne from July 14.

Her place will be taken by Deborah Rees, who has already sung the role at Glyndebourne on July 1 and 3.

★

Up to 53 of the world's most talented young violinists, all under the age of 20, will compete for £15,400 prize money in the new Yehudi Menuhin International Violin Competition sponsored by Orion Insurance in April next year. The competition will be staged in Folkestone.

The age groups—under 16 and 16 to 19—will be considered by the judges, the first prize for categories being £2,500 and £3,500 respectively. The senior winner will also be offered a concert engagement with the Royal Philharmonic Orchestra conducted by Yehudi Menuhin at the Royal Festival Hall.

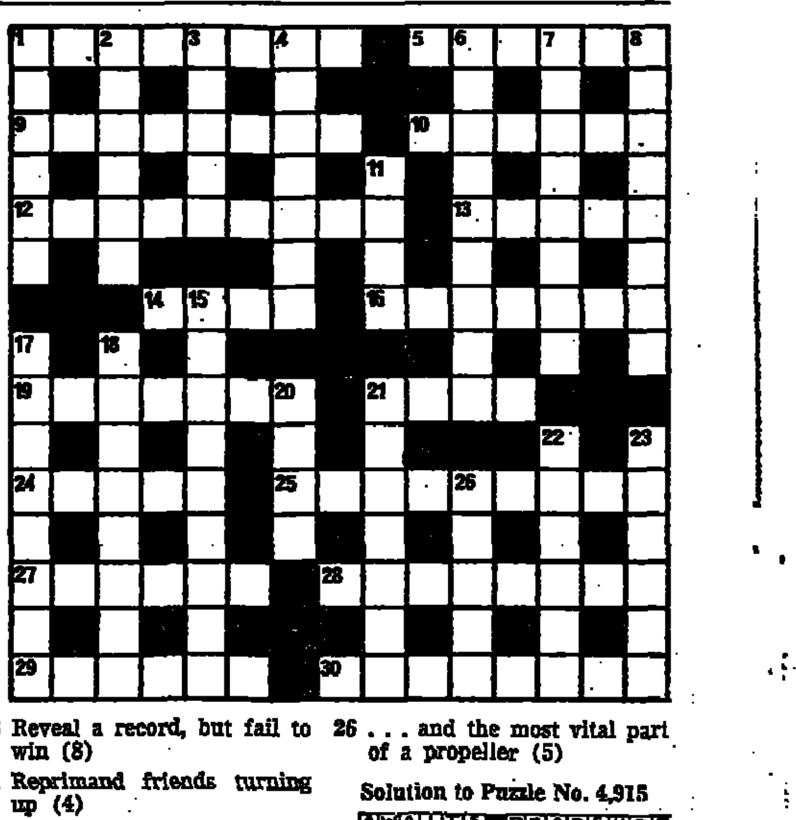
★

National Westminster Bank has announced a four-year sponsorship amounting to £400,000 for the *New Sadler's Wells Opera*. The company will commence performances during January 1983 and will be administered by Sadler's Wells Trust and based at Sadler's Wells Theatre.

Mr Philip Wilkinson, deputy group chief executive, National Westminster Bank, commented: "Our new support to Sadler's Wells will enable them to bring back to the London musical scene something that has been missing for a considerable time."

Mr Stephen Remington, director of Sadler's Wells Theatre, said the sponsorship represented "an important milestone in the history of the Wells."

F.T. CROSSWORD PUZZLE No. 4,916



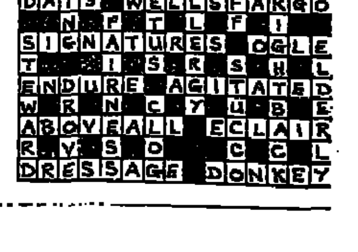
ACROSS

1 Chants in key in prison (4, 4)
5 Disgust, but it's not on before the finish (6)
9 Influence past events, but withdraw nought inside (8)
10 Gas deflated in front of us (6)
12 Drink and dance that boxers use for training (5-4)
13 Praise, without nephew of Abraham returning (5)
14 Nothing more than a lake (4)
16 A summons in the course of time (7)
19 Deltaic formation or it could be from the mouth of man (7)
21 A path to travel (4)
24 Scandinavian from north or south-east (5)
25 Landing in Rugby? (5-4)
27 Drunken son in ballet dancer's garment (6)
28 Be opposed to in principle and fail to correspond (8)
29 Old senator going to French island (6)
30 The way to live cheaply and without tears (4-4)

DOWN

1 Conflict or fight to the east (6)
2 Head worker is nodding (6)
3 A heavy blow giving watery snow (5)
4 Close one eye to make lace in French resort (7)
6 Lie incorrectly with protective cover (9)
7 Allowed to give a name to (8)
8 Reveal a record, but fail to win (8)
11 Reprimand friends turning up (4)
15 Basic disembodied spirit (9)
17 Inflammation of a gland, and what a study it is (8)
18 Spanish port without a herb (8)
20 Betting machine to note (4)
21 Choice of roads taken, going around in a usual procedure (7)
22 Extreme fear of a type of film (6)
23 Be an inseparable part of, within this place . . . (6)
26 . . . and the most vital part of a propeller (5)

Solution to Puzzle No. 4,915



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Wednesday July 7 1982

A way forward in accounting

MEMBERS of the English Institute of Chartered Accountants are now filling in their voting forms to decide on the Keymer and Haslam resolution that the current cost accounting standard SSAP 16 should be scrapped. With some 12,000 votes out of what is projected to be a 30,000 poll already counted, the threat to the accountancy establishment emerges as being very real; some 52½ per cent of the votes are anti-CCA, although the ballot period will not end until July 27.

That CCA remains a highly controversial subject has already been proved by our correspondence columns. Now there is the likelihood of an unprecedently high voting response in the institute's poll, proving that the controversy extends right through the profession. In itself, this must be a severe disappointment to the leaders of the profession who devised SSAP 16, introduced two years ago. The hope at that time was that the planned three-year experimental period — during which the standard would not be changed — would provide a breathing space during which the arguments could simmer down.

Th idea was that after three years the standard would be modified in line with experience and measures would be taken to adopt CCA as the main form of accounting—thus ending the somewhat embarrassing present system of dual reporting. Enthusiasts for CCA were also intending that this method would be extended beyond the listed company sector (plus a few large private companies) and would be more generally adopted.

Modified

Whatever happens in the institute's poll at the end of the month, such hopes are looking increasingly unrealistic. The Keymer and Haslam resolution is a mischievous one, which owes more to a basic hostility to accounting standards as such rather than to any considered approach to the problems posed by inflation. There is no adequate excuse for reneging on the implicit bargain struck when SSAP 16 was launched. But it would appear that the leaders of the accountancy profession have failed to achieve a broad consensus over CCA even within their own ranks. There can, however, be no question of going back to historical cost accounting alone. Such a system in any case no longer exists in Britain, where so-called HC accounts are routinely modified by the incorporation of asset revaluations and depreciation over unrealistically short asset lives.

CCA has many advantages over the HC method. It provides a much more realistic balance sheet, and is a potentially valuable system for management purposes in that its indications of profits fit in closely with variations of cash flow, and that its concept of profit is based upon the maintenance of physical capacity. But being a subjective system it needs sensitive handling, and it has disadvantages as a system for reporting profits to shareholders who may be better served by a method of accounting which reflects changes in the level of shareholders' funds.

Opposition

For all the opposition by the backwoodsmen, many companies have found CCA to be of real value. In the stock market CCA earnings have usually been found to provide a better guide to the underlying performance of companies than the HC equivalent—though the latter earnings basis is of course much more flattering to companies.

Having come so far along the CCA road, it would be better to persevere, improving the system in the light of experience. But if the opposition within the accountancy profession and industry makes this politically unrealistic, then the time may have come to take another hard look at the possibility of reviving the current purchasing power approach which was the profession's original choice back in the early 1970s.

The entrenched Whitehall opposition to any form of general indexation which killed off CPP by means of the Sandilands report in 1975 has now mostly evaporated. Granny bonds and index-linked gilts have been launched, and indexed relief is now granted on capital gains. Indeed, the Inland Revenue has appeared to be much more sympathetic to a general index approach than to the kind of specific price accounting, with multiple indices, embodied in SSAP 16.

In retrospect the Inland Revenue's opposition to CCA has been an important factor in the debate. One of the attractions of CPP is that it might bring public reporting and tax accounting closer together. The Keymer and Haslam resolution is an attempt to turn the clock back; the accountancy profession must now find a way of moving forward.

The Falklands inquiry

THE TERMS of reference of the Falklands inquiry which Mrs Thatcher announced yesterday are unexceptionable. It is entirely reasonable that the inquiry should be able to take account of "such factors in previous years as are relevant," but even more to the point that it should concentrate on the period leading up to the Argentine invasion in April. These were the terms for which Mr Michael Foot, the Leader of the Opposition, was arguing in the last few weeks.

Mistakes

There are, however, reservations. It would be churlish to criticise the appointment of Lord Franks as chairman on grounds of age alone, though he is 77. No doubt he would not have accepted the task if he had not felt up to it. But he is a slightly establishment figure, perhaps a little bit too much at home in conducting official inquiries without blocking anyone's nose. His appointment does not show great imagination.

The membership of the inquiry team raises a more general point. In so far as mistakes were made in the events that led up to the Falklands crisis, they must largely have been the mistakes of government. Appointing Privy Counsellors to investigate them smacks a shade of allowing the accused to try their own case.

Again, we know from experience of select committees that, whatever the virtues of cross-party co-operation, there are two potential defects. One is that the politicians sometimes divide on party lines. The other isthta they tend to agree in bland terms and produce a cover-up for the system. Lord Scarman's inquiry intothe Brixton riots last year was an outstanding example of how this kind of political dilemma can be avoided. No-one doubted his independence.

The House of Commons has the opportunity to debate these matters tomorrow and should use it to the full. Yet, the technicalities apart, there are other questions which make the holding of the inquiry imperative.

For a start, there is the business of how the signals leading up to the Argentine invasion were so badly misread, whether by the British Embassy in Buenos Aires, the Foreign Office in London or both. The inescapable fact is that the British Government machine was caught napping and a bloody war ensued. General Galtieri and Sr Nicanor Costa Mendez, his Foreign Minister, always said that they were surprised by the scale of the British response; so were some people at home. But it is just possible, as Mr James Callaghan has suggested, that British diplomacy had led them to believe that they could invade with impunity.

The wider questions, however, concern the relations between officials and politicians and between politicians and the public. On the one hand, under successive governments the Foreign Office had been seeking a negotiated solution precisely because it foresaw that it would be difficult to defend the Falklands from attack and was aware of Argentine ambitions. On the other hand, every time the idea of a negotiated solution was put to Parliament it was shouted down. The public, or at least a substantial lobby, supported Parliament.

Resources

The result was that governments tended to duck a potentially explosive issue. There is something seriously wrong when the Foreign Office can identify a problem, the Ministry of Defence knows that a territory cannot be easily defended and senior ministers run away. Parliament and public were living in a dream world, yet officials were impotent to shake them out of it. The inquiry will be of value if it leads to greater public debate on foreign policy and on the necessity of matching defence resources to defence commitments.

U.S. VENTURE CAPITAL

The Silicon Valley goldrush

By Guy de Jonquieres

"PEOPLE often ask me whether I ever thought of starting this business in Britain," says John Ellenby. "The first time I heard that question, I simply stared back in blank amazement. I'm not sure that I could do this anywhere outside Silicon Valley."

Mr Ellenby, who moved to the U.S. from Britain in 1974, is president of Grid Systems, a two-year old Californian company which has made quite a splash with its first product, a portable computer which sets new performance standards for its size. It is extremely powerful and versatile, yet compact enough to slip into a briefcase.

Ironically, the computer's most striking feature, its slim-line exterior, is the work of a London design team, Moggridge Associates. But in most other respects, Grid Systems' brief history is a textbook example of the new wave of high-technology companies which are springing up all over Silicon Valley.

Mr Ellenby started out with $50,000 of his own money after leaving Xerox's research and development centre in nearby Palo Alto, where he had been working on advanced office automation systems. Seven months later, he raised another $170,000 from friends and business contacts.

Since then, he has secured a further $12m of venture capital backing and assembled a management team. Grid Systems' offices in Mountain View are so new that they don't even have a name plate on the door. But several of the senior executives are seasoned entrepreneurs who have already helped found successful electronics companies in the area.

The U.S. has enjoyed high-technology "start-up" booms before, notably in the late 1960s. But none has equalled the current surge of activity, which began about three years ago and is at its most visible in Northern California. Hundreds of new companies have sprung up there to seek their fortunes in personal computers, telecommunications equipment, office products, computer software and related markets.

"For anyone who has a name in the industry, a good marketable idea and is technically competent, raising the money to start a business is only a phone call away," according to Ken Mackenzie, an analyst with Dataquest, a Cupertino, California, market research firm which specialises in the electronics industry.

Two forces have converged to produce this vigorous corporate birthrate. One is the availability of inexpensive mass-produced microchips, which can be assembled into equipment and systems with relative ease. The second is a big increase in the supply of venture capital, which provides the launching pad for most new companies.

"The challenge of building a microcomputer these days is about as great as crossing a busy downtown street," says Denny van Ness, a partner in Hambrecht and Quist, a San Francisco investment banking and venture capital company. "The key to success lies in the product application and marketing."

The Silicon Valley entrepreneur has another advantage. He has access on his doorstep not only to much of the most innovative technology in the industry, but also to a wide variety of companies which are ready to make his products for him.

"An entrepreneur need not own a penny's worth of production equipment," according to Jim Riley, a founder of Dataquest. "He can have his components tested in one place, mounted on printed circuits in another and shipped down the street to be wired together and put in a box."

The application of new technology is also opening the manufacture of microchips to new competitors. During most of the 1970s, the heavy investment needed to keep abreast of the latest advances in semiconductor production equipment kept new entrants out of the business of making "standard" chips, which are turned out by the million to an identical pattern.

But in the past two years more than a dozen companies have been formed to make "custom" and "semi-custom" components. These are integrated circuits which are specially tailored to meet the specifications of individual customers and can be made profitably in volumes of only a few thousand.

The business—which could rival "standard" chip production in size by the end of this century—has been revolutionised by the use of computer-aided design (CAD) equipment to lay out the thousands of microscopic circuits on a silicon chip.

Wilf Corrigan, chairman of LSI Logic, a semi-custom chip manufacturer set up 18 months ago, says that his company charges about $100,000 and takes about six months to make a fairly complex chip. A "standard" part would need perhaps two years to design and an investment of $1m or more. Within a few years, he predicts, LSI Logic will be putting most of the circuits for a large computer on a single chip.

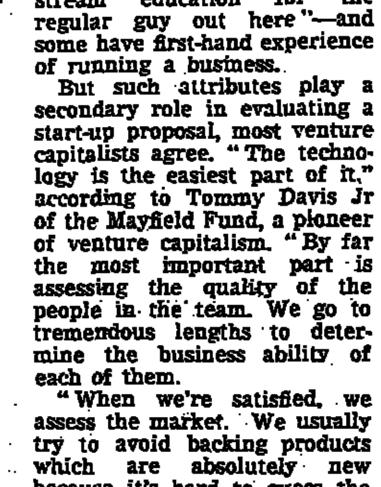
The surge of venture capital which has financed the start-up company boom can be traced directly back to 1978, when Congress reduced the U.S. capital gains tax rate from 60 per cent to 20 per cent.

The following year the amount of funds invested almost doubled to $1bn from $550m, according to Stanley Pratt, publisher of the Venture Capital Journal. It has continued to rise, reaching $1.4bn last year. Mr Pratt estimates that almost two-thirds of the money went into technology-related ventures, and that 25-30 per cent was invested in Silicon Valley.

The first venture capital deals were made in the 1950s by wealthy individuals in search of high-risk investment opportunities outside the quoted securities markets. "In those days, it was an art form practised by a few gurus," Mr van Ness recalls. Today, there are more than 200 venture capital firms in the U.S., and they pride themselves on having brought a degree of professionalism to the business.

Though a few still act exclusively for rich families (the Rockefellers have their own firm, Venrock), financial institutions such as banks, insurance companies, pension funds and university endowment funds are the source of most of the money these days. Some large industrial companies, including Exxon, Xerox and General Electric, have also established their own venture capital offshoots.

> The returns on successful ventures can be very good: an annual compound return of 30 per cent is regarded as par, and it can be as high as 80 per cent



Graham Lever

According to Franklin Johnson, president of the Western Association of Venture Capitalists, institutions typically set aside up to 5 per cent of their total investment portfolios for venture capital. They contract with a firm to manage it, usually on a 10-year basis.

Venture capitalists are drawn from a variety of backgrounds—business management, the law, engineering, even journalism, though surprisingly few come from banking. Mr Johnson estimates that about three-quarters of his association's members have engineering degrees—"That's the mainstream education for the regular guy out here"—and some have first-hand experience of running a business.

But such attributes play a secondary role in evaluating a start-up proposal, most venture capitalists agree. "The technology is the easiest part of it," according to Tommy Davis Jr of the Mayfield Fund, a pioneer of venture capitalism. "By far the most important part is assessing the quality of the people in the team. We go to tremendous lengths to determine the business ability of each of them.

"When we're satisfied, we assess the market. We usually try to avoid backing products which are absolutely new because it's hard to guess the demand for them. But if other people are already selling about $50m into the same market and it's growing, it's probably a good investment opportunity."

Venture capitalists depend for much of their information on a sophisticated bush telegraph. News travels fast in Silicon Valley, and so do people. It is not unusual for some employees to change companies two or three times a year, and most start-up ventures are founded by men who decide to split away from established firms. Some successful entrepreneurs have set up as many as three companies in succession, leaving each one after it has become a going concern.

The most profitable investments are made at the start-up stage, and that means taking quick decisions. Most venture capitalists decide on a proposal less than three months after receiving it. It is rare for a single venture capital firm to provide all the finance for a new company—most like the keep their exposure to below $1m a time—and the investment is usually syndicated between several participants.

After that, venture capitalists adopt a Dutch uncle role, supplying advice and contacts needed to shepherd the new company through adolescence and providing second and third rounds of equity finance. Most aim to realise their profits within about five years, when the company is floated on the U.S. Over-The-Counter market or is taken over by another firm.

The returns on successful ventures can be very good indeed: an annual compound return of 30 per cent is regarded as par, and in a few exceptional cases it can be as high as 70-80 per cent. Venture capitalists are less keen to talk about their failures, though they admit that the casualty rate among start-ups can be high.

"But if you don't have some failures, you're not trying hard enough," says Mr van Ness. "You could lose half your investments and still make money, provided you've picked the other half right."

But with so much money still seeking a home, will there be enough good investments to go round? Venture capitalists say that competition for shares of the best start-up deals has grown much fiercer, and the prices being paid have risen sharply.

Some fear that too many companies have already been set up to exploit markets which are still embryonic, and that a shake-out will occur among the later and weaker entrants in a couple of years. Mr Corrigan forecasts that several of his competitors in semi-custom chips may not stay the course.

During the late 1960s, venture capital activity ground abruptly to a halt after a wave of collapse among Wall Street glamour stocks which resulted in spectacular losses for investors. Venture capitalists say that the business is better organised today, that investments are made more selectively and that portfolios are more diversified. Mr Pratt also believes that the pattern of investment is shifting, with more money going into lower-risk second- and third-round financing, and less into start-ups.

Tommy Davis, who has been in the business since the beginning, keeps a cartoon in his office, clipped from the New Yorker magazine. It shows two Wall Street brokers talking in a bar. One is saying: "And venture capital—remember venture capital?" "It keeps me from getting a big head," says Mr Davis.

Men & Matters

Political football

Could Italy's remarkable victory over Brazil in the World Cup stave off a political crisis which some commentators consider all but inevitable? This was the question being asked in Rome yesterday, the morning after the explosion of jubilation in every Italian city and village which greeted the national team's surprise success.

By no means the most restrained reveller was the Prime Minister himself, the colossal and rotund figure of Giovanni Spadolini, who, soon after the end of the match, swept out of his official residence in Rome, the Palazzo Chigi, to join the crowds. To the consternation of his bodyguard he waded through the cheering throng to the Via del Corso, the normally lethal main street of central Rome, shouting "Viva l'Italia," and embracing children with one hand while waving the green white and red Italian flag with the other.

Most unlike the usual behaviour of Italian Prime Ministers. They are often loth to tear themselves away from the smoke-filled roms where compromises are made and coalitions broken, and rarely enjoy much rapport with the public.

But Spadolini is different: he so obviously enjoys the job of Prime Minister, gladly accepts the role of national figure—and has found that Italians, who generally hold their political leaders in low regard, reciprocate.

When Italy beat Argentina last week he appeared, like a Royal, on the balcony of his palace and last weekend paid an evidently effective visit to Barcelona—en route for Madrid — to wish the national team luck.

It would be unfair to impute any motive other than joy for the spontaneous action on Monday night of this 57-year-old bachelor, the grst nonl EN bachelor, the first non-Christian Democrat Prime Minister since 1946. But it cannot have escaped his notice that it will now be that much more difficult for his fractious colleagues in the coalition to bring down his Government when it faces a scheduled reckoning later this week on the more mundane issue of Government policy towards the Scala Mobile or wage indexation.

If the warring Christian Democrats and Socialists decide to retreat from the brink (which they may well do), it could just be that reluctance to bring down an obviously popular Prime Minister, currently presonifying a surge of patriotism, has played its part. But that may be too much to expect from the sunless corridors of political power.

Hats off

There are at least two ways of campaigning for the job of next leader of the Labour Party. There is the Tony Benn method of ardently espousing every left wing cause. And there is the Roy Hattersley route, demonstrated at a Press conference in Strasbourg yesterday.

After a meeting with Labour members of the European Parliament, Hattersley gave his opinion that one of the objects of Labour's alternative economic strategy—reducing unemployment—would be "defeated" by British withdrawal from the EEC.

The party's national executive had not done enough work on the possible consequences of withdrawal on inward investment and job losses, he said. The party also lacked any clear sense of the implications for agricultural spending.

This public credo caused pursed lips among the anti-marketeers who flanked him. Barbara Castle's eyes flashed, Janey Buchan grimaced.

Was this the birth of another historic political crusade? Why, no. "I am not," said the shadow spokesman for home affairs, "going to build a great campaign against established party policy." The party had to be kept in one piece. I am extremely interested in Europe but I am more interested in the Labour Party."

Did he have any other interests such as serving in a Labour Government committed to EEC withdrawl? "Let's get elected first and see what happens afterwards," replied this trusty keeper of ever-open options.

Cross current

Accountant David Keymer has a surprising problem with acronyms. Yesterday he and his Sussex practice partner Martin Haslam summoned a press conference to air their views on inflation accounting. Keymer had to be told halfway through what MCP stands for. (Words applied to someone who, like him, invites a female reporter to step forward as the only available "mother" to pour out the coffee.)

But CCA, of course, are the initials which really upset him and his partner—acronym of the dreaded current cost accounting which has been imposed on most publicly quoted companies by the powers that be in the accountancy profession.

Keymer and Haslam are forging ahead with their campaign to have CCA rejected in the July 29 poll of all members of the Institute of Chartered Accountants. They are personally footing the bill for an advertising campaign complete with suitable graphics (CCA's mixed with BAA's, that is, with a lot of sheep standing about the place).

Both men see CCA as a product of the kind of establishment view which bears little or no relation to the real facts of life—"just like the establishment's view of the EEC or of prices and incomes policies in the past," says Haslam.

On the wall above them, a portrait seemed to shift slightly on its hook but Keymerf came to the rescue. "We are not rebels. We are not Scargills of this world. It really is just CCA we're against."
we're against."

Front wheels

Avis may try harder, but it is losing the war in Lebanon. On a trip from the Israeli border to Beirut yesterday five Avis cars were spotted damaged and abandoned by the side of the road, while only three Hertz cars had suffered a similar fate.

The number of hire cars lost in the war in Lebanon has been growing, and now the car hire companies have demanded that journalists renting their cars in Tel Aviv must sign a special form accepting liability for any damage to the cars which is incurred outside Israel or the occupied West Bank and Gaza Strip.

Pity the American television network whose cameraman lost three cars in Lebanon in the early days of the war. One was hit by Palestinian guerrilla fire, another was sideswiped by an Israeli tank, and the third simply fell down the side of a hill. The driver survived to try to find another car hire company willing to provide him with a new car.

Waggish

After buying some shirts in a West End shop, the assistant showed a colleague a trya of silk ties with red and purple dogs' headson a pink background. "No, thank you," my colleague said, "they're much too fierce for me."

"You must be joking," the assistant retorted. "They're spaniels."

Observer

HUNGARY'S ECONOMY

An East-West tightrope act

By David Buchan, East Europe Correspondent

"WE ARE like a swimmer doing breaststroke with one arm and butterfly with the other. It seems almost impossible, but somehow we are keeping afloat." This is how Mr Rezso Nyers, founding father of Hungary's economic reforms, describes his country's dilemma in trying to tie itself closer in with the free market West, while still having to do business with its fellow Communist partners in the Comecon system.

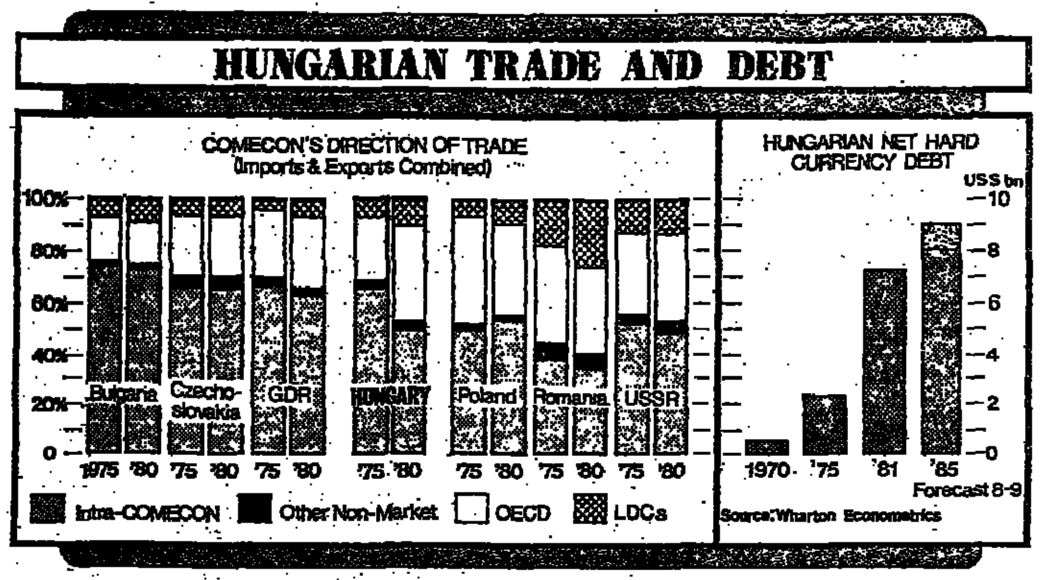
But Hungary's leaders fear that a co-ordinated Western trade and credit embargo on the East, as foreshadowed at the recent Versailles summit, could conceivably sink the system they have wrought in Hungary, on and off, for the past 14 years.

The risk is not so much that without any new loans from the West, Hungary will be unable to pay back old debts. To be sure, Hungary has the highest debt ratio in Eastern Europe. But it also has the most buoyant economy in the region. With loans already from West European central banks this spring, with negotiations in train for a commercial loan from Western banks, and the prospect of borrowing later this year or next year from the International Monetary Fund, which Hungary joined in May, the country stands a good chance of weathering its present credit crunch.

Hungarians take comfort from the wording of the Versailles statement calling for a "prudent" but "diversified" Western approach on lending to the East, suggesting to them that Hungary might be made an exception.

President Mitterrand, for one, has said he will not enlist in any U.S. campaign to wage economic warfare against the East, and Hungarians will be delighted to hear the French leader repeat that, when he goes to Budapest today.

The broader danger is that, if cold shouldered by the West, a majority of the Eastern communist states might turn further inward to try to take Hungary back into the Comecon stockade with them. Mr Nyers, a central committee member, suggests that Hungary might then come under Comecon political pressure to refuse western credit offers, though other officials say Hungary would not bend to this.



At last month's eastern "summit" meeting of Comecon prime ministers in Budapest, Mr Nikolai Tikhonov of the Soviet Union noted with apparent satisfaction that last year the proportion of trade done by Comecon members with each other had risen to 55 per cent of their total commerce, and that this ratio might increase further. Hungarians inwardly groaned. They find growing fault with Comecon because it jars with their own system, now oriented on world prices, hard currency earning exports, decentralisation from ministries to individual firms, and private enterprise, if not ownership.

For a Comecon conclave, the Budapest meeting was surprisingly acrimonious. The Czech and Romanian premiers sharply criticised aspects of Comecon. But it was the Hungarians who had the broadest philosophic critique. The bones which Hungary picks with Comecon are:

● Bilateralism. The essence of Comecon trading is for members to sign long term bilateral trade agreements between each other, and yearly accords setting precise export and import amounts. The Hungarian complaint is that, for all the use of the "transferable rouble" as a unit of account, there is no multilateral means of settlement. Trade surpluses piled up with one Comecon partner cannot be switched to buy goods from another.

The Hungarians have done two things to mitigate this. First, they are ensuring their exports to each Comecon partner does not outrun their imports, keeping surpluses to a minimum. Second, they are demanding dollars where possible. Thus, they ran a $800m surplus on hard currency trade with Comecon last year, a very useful offset to their $900m deficit with the West.

● Terms of trade. Ever since 1976 Hungary has run a deficit with the Soviet Union, because in common with most of East Europe the prices of the machinery and industrial goods which it ships to the Soviet Union have been rising much more slowly than the prices of the Soviet energy and raw materials it imports.

There is some debate in Hungary and elsewhere of tinkering with the so-called Bucharest formula by which most Comecon prices follow a five year moving average of world prices, possibly shortening it to an average of the past three years or even one year. That would speed up adjustment to the world market, but also make Comecon fully prone to world commodity fluctuations, which almost no one in the communist bloc wants.

● Lack of specialisation. The smallest country in the eastern bloc, Hungary has had no choice but to specialise, dropping, for instance, any pretension to build cars, but developing a nice line in Ikarus buses which it has sold world wide. But Budapest complains that other countries, most notably East Germany, insist on producing a full range of finished industrial goods, and foisting them on Comecon partners.

At the Budapest meeting Comecon reached agreement on which of its members were to specialise in the introduction of micro-processors and industrial robots (Hungary got the prime role in the medical sector, East Germany the printing sector and so on). This was a step forward in an important field. Hungarian officials would dearly love to see a division of labour in semi-finished products and components. But Comecon has no multinational companies to organise this, and the country may soon find it easier to get specialisation work from Western companies. Unusually for a Comecon country, Hungary has legislation allowing joint ventures, of which a few Western companies, such as Siemens, have taken advantage.

● Centralisation. More than 100 Hungarian companies now have the theoretical right to decide what they want to export and import (although they may not always be able to exercise it because of National Bank controls on investment credit and foreign exchange).

But this managerial freedom—which contrasts with ministerial decision-making in other Eastern countries—is often frustrated because Comecon trading really does not allow for such flexibility. To the irritation of the reformers in Budapest, Hungarian ministries still get drawn into export/import decisions.

If the West were, inadvertently or not, to push Hungary further back into the Eastern trading camp, then the government of Mr Janos Kadar would have to try to straighten out these anomalies with Comecon. This might mean sacrificing some of its reforms in foreign trade and at home, where over the past 12 months the Government has tried to give private enterprise more play. The idea is not to increase outright private ownership in commerce and industry, which will probably stay around 2-3 per cent, comparable to the 1.4 per cent of Hungarian agricultural land which private farmers own outright.

Rather, the aim is to emulate, in the cities, the successful recipe in the countryside cooperatives whereby the state retains overall control while allowing full scope to the artistic instincts of Hungarians for private work on the side.

Mr Kadar has carried his 13-man politburo on such reforms. But some critics of the reforms remain in the wider, 128-member central committee and elsewhere. They include some state company managers who dislike the idea of private competition, some trade unionists who fear unemployment will result, a few unreconstructed Stalinists and a number of what might be called conscientious socialists. The latter group chiefly dislike growing wage differentials, resulting from the fact that around 75 per cent of the workforce are drawing vastly differing extra pay from jobs in the "second economy," or private sector.

"We should resolutely reject the appealing notion and easy-going practice of egalitarianism," Mr Kadar, sounding almost like a Reaganite, told his 1980 party congress. "Social justice requires the creation of bigger differences than the existing ones." Those were unusual and bold words from a communist leader, which Mr Kadar might feel compelled to eat if the West gave him no support for his incentive-based economic reforms and if he were forced back into toeing the Comecon line fully.

Britain's miners

Mr Scargill's new model union

By John Lloyd, Labour Editor

MR ARTHUR SCARGILL, president of the National Union of Mineworkers has set himself and his colleagues in the NUM leadership the most difficult task in contemporary British industrial relations. To achieve it, he must reshape his union into a battering ram: and that extraordinary process is under way in Inverness this week.

On Monday, in a theatre on the banks of the River Ness he told his annual conference that miners should be instrumental in forcing massive investment in new pits while retaining old ones and securing high wage rises; in breaking the employment legislation and with it the Government; in leading the working class in struggle — especially the struggle of steelworkers and rail workers who, like the miners, were under attack; in ensuring that the Labour Party followed a true Socialist path and did not expel its Left factions while doing so.

This programme, ambitious at the best of times appears all but utopian in face of a self-confident Tory government and a trade union movement which has barely won a battle in the last three years.

The reshaping of the union for this Herculean effort is part structural, part political, part psychological.

The first decision taken by the delegates was to empower the Executive to "bring about amalgamation of existing constituent associations consistent with modern and efficient structure and organisation in the coal fields." This move will be a far reaching one: it is designed to bring the old, local associations — like the Durham and the Northumberland Mechanics, the Scottish enginemen together with the white collar section, COSA and the power group — into full merger with the NUM areas.

But there is more to it than that. These groups still have considerable power: some have representation on the Executive, COSA and all have sufficient autonomy to take their own road at critical moments, as when strikes or other industrial action is threatened. Their incorporation will tip the balance of power towards the Left-led areas, which already make up a majority of the membership.

Mr Scargill says he sees this as a simple matter of efficiency: and indeed the motion came from the Durham area as an attempted antidote to the bad relations between the various groups in the North East, not as a deep laid political scheme. But Mr Trevor Bell, general secretary of COSA — and the only leader the demoralised Right-wing have — sees it as the start of a year of more of bitterness and law suits as the independent bodies fight against what they see as a tendency to centralise power.

Threats of industrial action are common-place, so much so that their currency could become devalued

Industrially and politically—the two are inextricably linked in the modern NUM—the profile of the union has been sharply raised since Mr Scargill's accession to power in April. Threats of industrial action are commonplace, so much so that their currency could become devalued. Resolutions this week on wages, protection of earnings and early retirement have all been accompanied by the threat of industrial action if negotiations are deemed unsuccessful.

"The Government and the Coal Board are going to say to the leadership—'you are going to be tested,'" warned Mr Collins yesterday. Earlier Mr Scargill had identified Mrs Thatcher as the only object of his witch-hunt. The old reluctance of Mr Joe—now Lord—Gormley to have his union used as a political weapon (though it was) has been replaced by an eagerness for battle.

The new president would carry this momentum into the Labour Party as well. He has opposed the proscription of the Militant Tendency and called for the rigorous pursuit of a root and branch socialist policy. He will have enough on his plate in his union in the coming months: what time and energy he can spare could be applied to furthering the cause of the Left in the inner-party struggle which seems certain to continue.

The psychological aspect is as important as the previous two. The decision to move the union's headquarters into a mining area—Sheffield is a favoured venue—was explicitly justified by Mr Scargill on these grounds. It underpinned his desire to create a bond of loyalty between the leadership and the rank and file — the first committed to fight for every conference resolution, the second committed to support every struggle with industrial action. Rock solid unity—the very substance which has proved so elusive to union leaders in the past few years—is now the NUM lodestone.

The process requires a figure of contempt, and Lord Gormley provides it. A motion of censure was passed yesterday on Mr Scargill's ennobled predecessor, who had committed two crimes: taking a title and leaving the union after writing an article in the Daily Express advising his members to accept a wage offer which the Executive had rejected.

The new leadership, however, cannot discharge its membership when it is recalcitrant: the support of the 250,000 miners has to be won and they have not yet made their mood known. The last ballot on wages went against the Left—but that was under the old management. The new places much store on the effectiveness of leadership and on militant propaganda: in this they will be more positive than any other union in the country.

By the end of this week Mr Scargill and his comrades — chief and most influential among them Mr Michael McGahey his vice president — will have laid the foundations of their new model union. The troops are marshalled: will they respond to orders from the son of York who would lead them through a glorious summer to a winter of discontent?

Letters to the Editor

Too soon to abandon SSAP 16

From Sir Raymond Pennock

Sir,—It has already been reported in your newspaper that a special meeting of the Institute of Chartered Accountants in England and Wales is to take place on July 29 to consider a resolution calling for the withdrawal of Statement of Standard Accounting Practice No. 16 on Current Cost Accounting.

Throughout my term of office with the Confederation of British Industry it has been clear that the rate of return of most of British industry, measured against revalued assets at today's cost, is currently averaging around 2 or 3 per cent. Historical cost accounts based on the value of assets when they were originally constructed, issued by individual companies, have unfortunately given a misleading impression to the community, the trade unions and even the Government that the rate of return averages somewhere around 14 or 15 per cent. If accountants continue to refuse to accept that historical cost accounts issued in isolation are misleading, then industry cannot expect employees and other interested sections of the community to understand the true level of profitability of their employing companies.

No picture in this complex question will be strictly accurate for all purposes, but the present proposal was issued for a trial period of three years in order that we could all learn from the experience. To abandon the experiment in the middle of its operation would be a serious mistake.

R. Pennock.
BICC,
P.O. Box 5,
21, Bloomsbury St., WC1.

The purpose of it all

From Mr Richard Allen

Sir,—The majority of letters which you have published from managers and accountants on the subject of SSAP 16 miss the point. The purpose of published accounts, as opposed to management accounts, is not to help managers do their job nor to reduce the task of professional accountants. It is to enable shareholders to judge whether their paid servants — the management — are carrying out their job adequately in at least maintaining the value of the shareholders' investment and in earning an acceptable return on the capital employed.

Historic cost accounts have proved hopelessly inadequate for this task and indeed the consistent under-valuation of assets has flattered management performance by seeming to show a rate of return on assets well above that actually being earned. It may be that CCA in whatever form is not the best answer, but it is certainly an enormous improvement both on historic cost accounts and on CPP, which bore *no* relevance to the needs of shareholders.

One of your correspondents raised the subsidiary point that CCA is more appropriate to manufacture than to services and, in particular to retail. In fact, the retail sector has been a prime subject for takeover for many years, stretching back long before fast inflation. A successful takeover is a direct indication that the buyer is better able to recognise asset values than the existing shareholder and believes himself better able to exploit them than the existing management. Under-valuation of long-lived assets, such as occurred in the retail industry, breeds complacency in management and ignorance in the shareholder and both attributes are fostered by historic cost accounting.

Richard Allen.
20, Copthall Avenue, EC2.

An imperfect accounting system

From P. H. A. Kenyon.

Sir, — Those who write to you about current cost accounting seem to have three different points of view.

First, those who think historical cost accounts are enough. Or at any rate that their minor shortcomings do not justify the labour of producing CCA accounts.

Secondly, those who want inflation accounting, who consider CCA to do this. Their view is that SSAP 16's "imperfections" will need an experimental period to be identified; they can then be "corrected."

Finally, there are those of us who, with Professor Myddelton, believe we need inflation accounting, but insist that CCA is *not* inflation accounting. We believe therefore that CCA is not just an imperfect inflation accounting standard: it is not one at all. If we are right, then an experimental period will achieve nothing. We want to go back to current purchasing power accounting.

Perhaps our criticism should be expressed in simpler terms. Inflation means changes in the value of money. CCA does not correct for changes in the value of money.

CCA measures profit after making good the (physical) "operating capability" of the business. This is quite different from correcting for inflation. If we had a year of nil inflation, but with sizeable changes in the prices of commodities like copper or cocoa, then cable or chocolate manufacturers would have to make large CCA adjustments.

Investors are not interested in profits measured this way. They want to know whether real (inflation-adjusted) earnings of Y plc are comparable with those of X plc for the same period, and with Y's own earnings in the previous year. CCA not only fails to satisfy this need, it does not even *aim* to satisfy it. It is not, let us repeat the point, an inflation accounting system.

We in the accounting profession must give users what they need. This conceptual and professional issue transcends the politics of self-regulation.

P. H. A. Kenyon.
18, Lee Grove, Chigwell, Essex.

Conservation of energy

From the Education Officer, the Institute of Energy

Sir,—The Select Committee report, "Energy Conservation in Buildings," published last week, recommends several possible measures to stimulate energy saving. It concentrates (predictably) on Government investment, information, and publicity.

After reading the evidence submitted to the Committee I drew another conclusion: that the consumer (be he a householder or a mechanical services engineer) is typically quite ignorant of what can be done. His ignorance is just as real a barrier and must be overcome before we can make progress.

I have argued elsewhere (Engineering, June, 1982) that although sources of information and advice abound, few people have sufficient grasp of the subject even to ask the right questions. I can give two examples.

In 1980 the Watt Committee on Energy reported that industrial companies were not dissatisfied with the range of training and education available on energy topics. Since then, several courses have been closed for lack of support; and attempts in various quarters to provide training specifically for energy managers have flopped. At the Institute of Energy we provide information on forthcoming courses, and our experience confirms that there is virtually no interest in fuel and power subjects. Industry's lack of dissatisfaction simply reflects the fact that it has no idea what it needs.

My other example is the free advice service provided by the Department of Energy for energy matters. They withdrew the service this year. Why? Not just because of the cost: also because of the trivial and naive nature of the questions posed by those supposedly in charge of industrial energy conservation.

There are, however, two pieces of good news with which I can conclude, and neither attributable to Government initiatives. One is that the Polytechnic of the South Bank has started work on directed private study in energy management; the other is that the Institute of Energy has, within the past few days, published yet another edition of its Directory of Qualified Energy Consultants.

Once we have learnt something about the subject, and tapped the sources of reliable engineering advice, we should find that even the so-called policy of "price and information" will start to work.

Vilnis Vesma,
18 Devonshire Street,
Portland Place, W1.

Individual versus collectivism

From Mr A Richards

Sir, — Your correspondent Russell Toben (The collective versus the individual personality) has overlooked that Sir Peter Parker, in his communication to British Rail employees, did appeal to a collectivist ethic, namely that of the common interest in the future existence of British Rail. It is that ethic and interest which needs to be engendered and fostered more these days, and why some form of industrial democracy is imperative.

No doubt some see industrial democracy in political power terms, and as such akin to workers' control. That is, however, to become immersed in "the old mould" of politics. Instead it should be seen, not merely as a means of introducing democratic principles at the workplace, but also as a means of bringing about a common concern and interest in the long-term viability of the industry or firm concerned.

If that were to take place, then individualisation would not rest upon the patronising attitude of line managers treating employees as individuals. Its basis would be a more equitable sense of social justice and not some pragmatic management style which would disappear overnight with changing environmental conditions, or the rise of some new management guru!

A. Richards.
35 Cliffefield Road, Sheffield.

Granada warning on profit downturn

HIGHER DEPRECIATION and interest charges have left taxable profits of Granada Group, television and video equipment rental concern, just behind at £23.88m for the 28 weeks ended April 10 1982, against £24.44m, and Mr Alex Bernstein, chairman, feels these factors may well mean some decrease in the full-year figure.

For the 52 weeks ended September 26 1981, group profits amounted to £48.11m at the pre-tax level.

Mr Bernstein said in his annual statement that 1982 would be a year of investment which would show a return in future years. During the 28 weeks total expenditure on new rental assets for both the UK and overseas businesses amounted to £60m (£32m).

Group turnover expanded by £39m to £229.94m.

After tax of £13.69m (£13.51m) first half earnings per share are shown as 6.1p, compared with 6.7p, but the interim dividend is increased to 1.92p (1.75p)—last year's final distribution was 3.05p.

Depreciation charges totalled £28.57m, against £23.24m, and interest was higher at £3.42m (£2.47m).

After tax and minority interests of £83,000 (£162,000), the available balance was £10.11m, compared with £10.77m.

Turnover of 67.75 per cent owned subsidiary Barranquilla Investments was unchanged at £1.45m for the first half, but pre-tax profits fell from £1.1m to £733,000. Tax charge was £456,000 against £574,000.

Modernisation work at the Finsbury Square property was completed last April and a tenant is being sought. Two further properties, Prince Consort House at Albert Embankment and Longbow House in the City, are in the market for re-letting, subject to refurbishment completion.

Directors say results reflect this situation and for the year as a whole the rate of profit decrease is likely to be similar.

SPAIN

July 6	Price Ptas	+ or −
Banco Bilbao	332	−8
Banco Central	267	−6
Banco Exterior	237	−5
Banco Hispano	308	−5
Banco Ind. Cat.	108	−1
Banco Santander	303	−9
Banco Urquijo	175	
Banco Vizcaya	342	−9
Banco Zaragoza	236	−1
Dragados	83	−15
Espanola Zinc	67	
Fecsa	54.7	−0.5
Gal. Preciados	26	
Hidrola	56.2	
Iberduero	44	+2.2
Petroleos	71	−0.6
Petroliber	91	
Sogefisa	6.00	
Telefonica	65	−2
Union Elect.	53.2	+0.7

IC Gas advances 23% to top £40m mark

TAXABLE PROFITS of Imperial Continental Gas Association, the holding company with interests in the fuel and power industries, have increased by 23 per cent from £33.47m to £41.18m for the year ended March 31, 1982. Turnover was ahead by £50.18m to £453.14m, a rise of 12.5 per cent.

At halftime, pre-tax profits of £1.1m (£0.94m) were reported, but the directors said the figures provided little guidance concerning the outcome of the year.

Stated yearly earnings per £1 share advanced from 18.82p to 22.19p, while the dividend total is stepped up by 15 per cent from 8p to 9.2p net with a final of 6.2p (5.3p).

The directors say that actions initiated in the previous year enabled the group to operate on a more profitable basis. An adverse feature of the year however, was the weakening of the Belgian franc, which reduced profits by £1.25m.

Trading profits rose by £5.57m to £35.63m. Associates contributions slipped from £11.99m to £11.65m, but net interest payable fell to £12.61m (£14.95m) and investment income was higher at £6.5m (£5.35m).

At the attributable level, profits were up by £4.37m to £28.63m. Tax charge was £8.6m (£6.19m), while minorities took £2.94m (added £7,000). Extraordinary debits, which decreased from £3.03m to £1.01m, were this time in respect of relocation costs incurred by a CompAir subsidiary overseas.

The previous year's results have been restated to reflect a change in depreciation rates for LPG tanks and computer equipment. This increased 1980-81 profits by £261,000.

In the year under review, the group benefited from a slight lowering of interest rates and, following the Finance Act 1981, by the capitalisation of £4.55m of interest in respect of the Maureen oil field development. Comparable interest of £1.96m was charged last year against pre-tax profits.

In addition, agreement was reached with the British Gas Corporation for an increase in the price of gas from the Hewett fields, effective from October 1, 1980.

The Calor Group turnover for the year increased by 15 per cent to £260.8m and taxable profits rose to £16.39m, compared with £14.49m previously when £2.9m arising from the renegotiation of the Calor House lease at Slough was included.

Activity in all Calor's industrial markets remained depressed and the results reflect a progressive improvement in levels of productivity aided by the favourable impact on LPG sales of two short spells of very cold weather in the UK.

Turnover of the CompAir Group rose by 9.3 per cent to £172.6 and pre-tax profits climbed from £3.2m to £6.31m. Improved results stemmed primarily from greater profitability by the UK companies supported by a good performance in Africa and Australasia.

Century Power and Light raised turnover from £2.49m to £5.49m and made a profit of £2.48m (£1.64m loss) which included exceptional income of £1.28m from the increase in Hewett gas price.

Turnover in Belgium fell by 9.3 per cent to £14.17m. The group's share of associates profits arises principally from its investment in Belgian public utilities through Antwerpse Gasmaatschapij and UNERG.

In current cost terms, IC Gas made pre-tax profits of £27.91m (£20.07m) and earnings per share were 12.08p (8.52p).

HIGHLIGHTS

Lex briefly looks at the money supply figures where sterling M3 has risen by three quarters of a point, much in line with expectations. Granada's profits have slipped back from £24.4m to £23.9m due to heavy spending on video equipment and associated depreciation charges plus a dull outturn from bingo and property. Tootal has pulled out of its planned sale of its Australian subsidiary because of opposition from the Australian stock exchange authorities. Lex goes on to assess the impact on Tootal before considering the report and accounts from Finance for Industry and the continuing debate on current cost accounting.

● **comment**

Imperial Continental Gas Association's pre-tax outturn of £41.2m, an increase of 23 per cent, was at the very top end of market expectations, but an exceptional factor and a change in accounting policy must take some of the credit. A substantial —the amount is not disclosed—price increase in gas from the Hewett fields, which reached peak production in the second half, was backdated to October 1980. Interest charges of £4.545m related to development of the Maureen field were capitalised, while the previous year's figure of £2m was charged against profit. Maureen will come on stream by the end of next year, but in the case of T block and Andrew, the poker game with the Government continues. IC Gas has not denied that the £63m CompAir acquisition was ill-timed and is now relieved to report that CompAir broke even net of financing costs. A consistent policy of stocking up for an "average" winter prevented more than a 5 per cent increase in gas tonnage sold by Calor with most of the 13 per cent profits advance coming from productivity improvements. Growth from the investment in Belgian public utilities can only be in line with the growth of the economy, and February's 8½ per cent franc devaluation does not make life—in sterling terms—any easier. Up 7p at 183p, the shares yield 7.4 per cent on the increased dividend.

Intasun above forecast at £14m

COMPARED WITH a forecast of not less than £13m, taxable profits of Intasun Leisure Group, holiday tour operator and charter airline, were £14.08m for the year ended March 31 1982, against a previous £10.26m. Turnover expanded from £101.65m to £114.12m.

At the interim stage profits had surged to £15.13m, compared with £10.24m, but the directors said they expected a loss in the second half.

They now consider it too early to make a firm forecast for the current year, but they would be disappointed if pre-tax profits did not reach a similar level to those of 1981/82.

Stated yearly earnings per 10p share of this USM quoted company were up from 14.6p to 19.6p and a final distribution of 2.1p net lifts the total dividend to 3.5p. This is compared with 2.8p which would have been recommended had the share capital been held publicly.

Pre-tax figure was split between tour operating and airline as to £8.7m (£7.4m) and £5.4m (£2.9m) respectively. Intasun Holidays carried 468,000 passengers in the year, a rise of 12 per cent, while Air Europe increased their passengers by 41 per cent to 995,000.

Intasun Holidays has taken 385,000 bookings so far for the summer 1982 season, an increase of 13 per cent, while an additional 36,000 have been taken by Club 18-30 and the newly-formed seat selling company, Air Europe Travel.

Club 18-30 is the main trading subsidiary of D. M. Lancaster, acquired by Intasun last May for some £4.4m, and directors intend to expand "this profitable operation significantly from summer 1983 onwards."

Air Europe has sold all available summer capacity for the increased fleet of nine Boeing 737-200 aircraft—with two leased from Air Florida—compared with seven in summer 1981.

The group has agreed with British Airways to acquire two 757 aircraft from Boeing for some £40m. One is to be delivered in March 1983, with the option to sell to BA in Spring 1987, and one in March 1984. It is intended that the aircraft will be financed in sterling over 10 to 12 years.

Interest and financing charges, payable under aircraft finance and lease agreements, are charged to the P and L account in such a way as to spread them evenly over the periods of the relevant agreements. The directors point out that had these costs been charged as incurred, pre-tax figure for the year would have been £12.7m (£8.2m).

Tax charge took £3.94m (£2.71m) and after extraordinary debits of £179,000 for 1980-81, as well as pre-acquisition profits of £3.03m for that year, the available balance came through at £10.14m, compared with £4.35m.

Dividends will absorb £1.81m (nil) leaving £8.33m (£4.35m) retained.

Pre-tax profits on a current cost basis are reduced to £13.71m.

Application has been made for the issued share capital to be admitted to the Stock Exchange Official List. Dealings are expected to commence on July 12.

● **comment**

Intasun Leisure easily placed 10 per cent of its equity yesterday as a preliminary move to its full Stock Exchange listing next week. The 37.2 per cent rise in pre-tax profits is due mainly to an improvement in Air Europe. Increased passengers more than offset a decline in margins, which anyway should improve with the Laker collapse ending the main downward pressure on prices. Intasun's accounting method of equalising aircraft financing charges has boosted pre-tax profit levels. The £40m leasing agreement with British Airways to be financed in a similar way not only adds capacity and flexibility to AE but postpones the day when profits are depressed by this method. Intasun has switched business back to the Mediterranean and away from the United States. Soft currencies have boosted exchange profits to about £1.5m and the company's £37m cash mountain at the bank continues to grow, bringing in another £1.5m interest contribution. Growth options centre on building up specialist youth and old age travel companies and developing the main stream holiday business into Scotland. The shares fell 1p to close at 123p, yielding 4.1 per cent.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Finals:—Hollas, Sogomana, Technology Investment Trust, John Waddington.

FUTURE DATES

Finals:—

Assoc Industrial	July 8
Braham Millar	July 8
Lennons	July 12

Larger bad debt provisions leave FFI £3m lower

BY TIM DICKSON

LARGER BAD debt provisions during "a most difficult period for British industry" have contributed to the first reduction in pre-tax profits for five years at Finance for Industry.

FFI, which is owned by the English and Scottish clearing banks, was established in 1973, though the Industrial and Commercial Finance Corporation, its best known subsidiary and a provider of specialist long term finance, was set up in 1945.

Lord Caldecote, FFI chairman, announcing the results for the year to March 31 1982, reported that pre-tax profits had fallen from £31m to £28.2m over the period. Profits before interest were £133.3m (£131.3m) while earnings came out at 19.6p, against 31.7p in 1980-81 due to a distorted tax charge.

Steps are being taken, meanwhile, to increase FFI's borrowing powers and enlarge its permanent capital by a £15m rights issue. Lending to larger companies is expected to rise "as we move out of recession," Lord Caldecote said.

Provisions against bad debts amounted to £19.6m (£16.4m), taking the combined total of specific and general provisions in respect of loan and share investments to £86m. Capital profits less losses on realisations, came to £20.4m, against £18.4m.

Lord Caldecote said the year on which he was reporting had been "one of the most difficult for British industry for many years." Some companies—such as those whose business was concentrated heavily overseas or in some areas of high technology, had come through unscathed but "there have been many casualties."

Out of ICFC's total portfolio, for example, 153 customers failed, compared with 114 in the previous year.

Total new FFI investment for the year was £264m, almost the same as in the previous 12 months.

ICFC, meanwhile provided £110m in the form of shares, loans and guarantees to 1,040 small companies. Some 440 businesses trading for less than three years had been financed, including 305 which were new.

Over the period ICFC financed 107 management buy-outs, compared with 69 in the previous year. ICFC has completed 250 buy-outs in the last four years, of which eight have failed.

Lord Caldecote warned that management buy-outs are "not just financial engineering. A thorough understanding of the underlying business is necessary before entering into financial arrangements which by their nature create high gearing levels where the management often has no experience of operating independently.

"In the early days about 90 per cent of the management buy-outs put to us were good enough to finance; now it is more like 50 per cent."

Asked about the sharp rise in business failures reported on Monday by Dun and Bradstreet, the business information company and Trade Indemnity, the credit insurance underwriter, Lord Caldecote said the rate of increase in liquidations in FFI's experience was "levelling out." "There is nothing disastrous happening in our portfolio."

The group's large company business will in future be channelled through FFI rather than Finance Corporation for Industry.

Lord Caldecote said FCI's development has been hindered by not being able to "shake off the mantle of lender of last resort" so it has been decided to drop the name.

New business continues at a "satisfactory" level.

See Lex

Marston Thompson ahead

TURNOVER OF brewer and wine and spirit merchant, Marston, Thompson & Evershed, rose from £33.23m to £38.92m for the year to March 31 1982 and pre-tax profits increased from £5.15m to £6.09m. At halfway, taxable figures were ahead at £3.25m, against £2.61m.

Although total beer sales during the year were down by less than 1 per cent, sales of the company's own beers were up. Sales during the current year are being maintained, which is regarded as reasonably satisfactory when viewed against the national average.

Stated earnings per 25p share rose by 0.84p to 6.88p and the dividend total is stepped up to 2.07p (1.8p) net with a final of 1.37p.

Taxable profits were struck after depreciation of £1.39m (£1.22m) and £124,000 (£98,000) for the share ownership scheme. Tax charge was up from £2.06m to £2.56m and there were extraordinary credits of £343,000 (£383,000).

Receivers called in at Grimshawe

DIRECTORS of Grimshawe Holdings, the diversified industrial group, yesterday announced that they had requested their bankers to appoint receivers to the company.

The board said that the decision to appoint receivers had been made in the best interests of the operating subsidiaries of the group. It was expected that these businesses would be sold off by the receivers as going concerns.

In this way, said the board, it might be possible to ensure that as many jobs as possible were preserved, and that the continuing businesses of the group would pass into other hands who had the resources and finance that the Grimshawe group did not have.

The joint receivers are W. M. Roberts and N. J. Hamilton of Ernst and Whinney.

At the end of last March, shares of Grimshawe were suspended at 17p valuing the group at £371,382. The shares were suspended at 3p below the group's par value.

Last October Grimshawe sold its biggest subsidiary, J. Manger and Son, the paints and DIY equipment manufacturer, in a management buy-out. Since then the group announced losses for the six months ending October 1981 of £264,000 before tax, compared with losses of £74,195.

USM start for Anglo Nordic

Anglo Nordic Holdings, the industrial holding group, expects trading in its shares to start on the Unlisted Stock Market on Monday, following its reverse take-over of Anglo-Argentine Tramways (AAT).

Anglo-Nordic announced yesterday that it now holds 32.47 per cent of AAT following acceptances of its partial offer by holders of 1.3m ordinary shares.

Subject to the offer by AAT to acquire Anglo Nordic's engineering subsidiary Doverford becoming unconditional, Anglo Nordic will acquire between 6.56m and 9.34m AAT ordinary shares, equivalent to 62.1 and 70 per cent respectively of the enlarged share capital.

AAT has agreed to change its name to Anglo Nordic Holdings while the original Anglo Nordic has become ANH (Hemel Hempstead).

Guinness Peat shares recover some lost ground

SHARES in Guinness Peat, the troubled commodities to banking group which last Friday announced a £15m loss provision, yesterday recovered some lost ground, increasing by 4p to close at 47p.

The shares were suspended at 57p last Thursday morning at the group's request and resumed trading on Monday morning at 10.15. The shares fell by 25 per cent on Monday to close at 43p: this knocked nearly £10m off the company's market capitalisation. At last night's closing price of 47p Guinness Peat is valued at £31m, still below its pre-suspension value of £38m.

The group asked the Stock Exchange to suspend its listing last week ahead of its announcement of the £15m provision relating to a California tyre business —Performance Tire. Guinness Peat has encountered difficulties recovering the money from Performance Tire, which had imported tyres into the U.S. and had been financed by a Guinness Peat UK subsidiary.

The shares recovered yesterday partly because the mark-down may have been overdone on Monday and partly because the group has confirmed it is selling control of its commodity business to a group of managers and investors led by Lord Kissin, the life president.

The commodity deal involves £6m of cash plus £3m of redeemable preference shares which will be held by Guinness Peat. Total value of the deal is worth between £11m and £12m.

Inchcape sells shareholding

Straits Steamship Company has reached agreement to acquire Inchcape Berhad's shareholdings in the Oil (Asia) group of companies for a cash consideration of S$12.5m (£3.36m).

Oil (Asia) provides support vessels and services to the offshore oilfield industry in South East Asia. Straits Steamship is 58 per cent owned by Ocean Transport and Trading of Liverpool.

Yearlings ⅜% lower

The interest rate for this week's issue of local authority bonds is 12⅞ per cent, down three-eighths of a percentage point from last week and compares with 13⅞ per cent a year ago. The bonds are issued at par and are redeemable on July 13 1983.

A full list of issues will be published in tomorrow's edition.

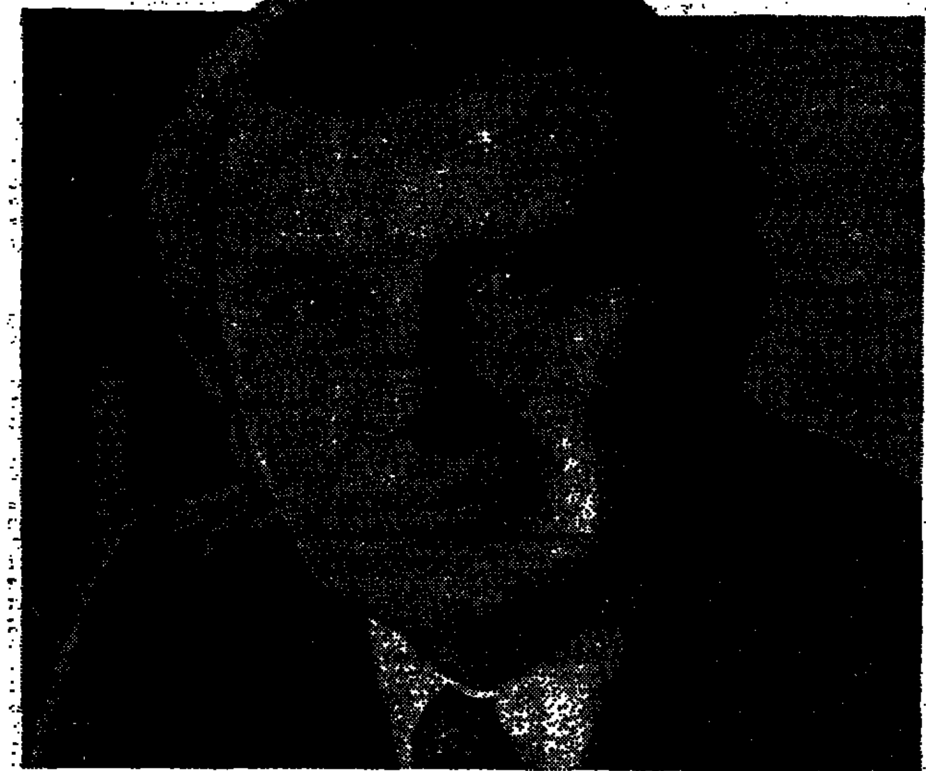
DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Equity Consort ord.	6.39	Aug 6	6.3	9.54	9.28
Equity Consort defd.	10.68	Aug 6	10.15	10.68	10.15
Granada int	1.92	Oct 1	1.75	—	4.8
IC Gas	6.2	Aug 20	5.3	9.2	8
Intasun‡	2.1	Aug 27	—	3.5	—
Donald Macpherson int	1.5	Sept 1	1.5	—	4.2
Marston Thompson	1.37	—	1.18	2.07	1.8
Rexmore	0.53	Oct 5	0.5	1.05	1
R. W. Toothill	3.5	—	3.5	6.5	3.5
R. Kelvin Watson	2.2	—	2	3.5	3.3

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM Stock.

"We continue to seek opportunities for further expansion."



PROFITS INCREASED TO
£15.5 MILLION
SHAREHOLDERS' FUNDS INCREASED TO
£186 MILLION
AVAILABLE FINANCIAL RESOURCES
£100 MILLION

Extracts from the statement by Gerald M Ronson, Chairman of Heron Corporation.

A year of progress

Once more we have had a year of progress and I am pleased to be able to report increases in both profits and shareholders' funds.
Pre-tax profits for the year increased by 15% to £15.5 million and shareholders' funds increased by 40% to £186 million. The increase in shareholders' funds includes an amount of some £36.5 million arising from the valuation on completion during the year of several property projects.

Consolidation of Trading Companies

We continue to consolidate the management of our trading companies under Heron Trading Corporation. Since the year end we have acquired the outstanding minority interest in Heron Motor Group and have combined the management team with that of Heron Suzuki. In addition, we have combined the management teams of Heron Service Stations and Ingersoll. This consolidation enables us to maximise the use of our highly professional management. The strength created by the diversity of activities in Heron Trading Corporation has again proved itself.

Major city centre scheme opened

The opening of St Davids Centre, Cardiff, one of the United Kingdom's major covered shopping precincts, was the highlight of Heron Property Corporation's year.
The surpluses arising on the valuation on completion of this project and the new Department of Health and Social Security computer centre at Reading, contributed substantially to our increased net worth. We have several major office schemes under way which will provide further growth over the next 2-3 years.

Record profits from insurance

The National Insurance and Guarantee Corporation again produced record profits. Although growth in premium income was lower than in the previous year, our policy of only growing where we can see profitable business proved to be right, with our motor account producing an underwriting profit for the year. Unfortunately, our non-motor underwriting was affected by the civil disturbances of last summer and the extremely bad weather conditions in December.

Strengthened senior management

We have strengthened our main board by the addition of four new directors. With one exception these appointments were made from within our own organisation and this is a reflection on the group's policy of cultivating management in depth.

Major refinancing

The constant strengthening of our financial position has been reflected by the continued support of our bankers. In the year under review, we concluded two major financings, a £75 million, 10 year unsecured syndicated loan facility, led by Barclays Merchant Bank and a $50 million, 5 year unsecured syndicated loan, led by Hill Samuel and Credit Lyonnais. Both syndicates comprise some of the world's leading banks and we are proud of the confidence they have shown in us. At 31 March, 1982 we had total available financial resources, either in cash or in undrawn bank lines, in excess of £100 million.

FIVE YEAR FINANCIAL HISTORY
Year ended 31st March.

Figures in £000	1982	1981	1980	1979	1978
TURNOVER	**322,000**	302,686	315,422	294,753	265,522
PROFIT BEFORE TAXATION	**15,496**	13,433	10,792	8,227	6,521
SHAREHOLDERS' FUNDS	**186,359**	133,268	79,915	70,207	60,483

Substantial acquisition

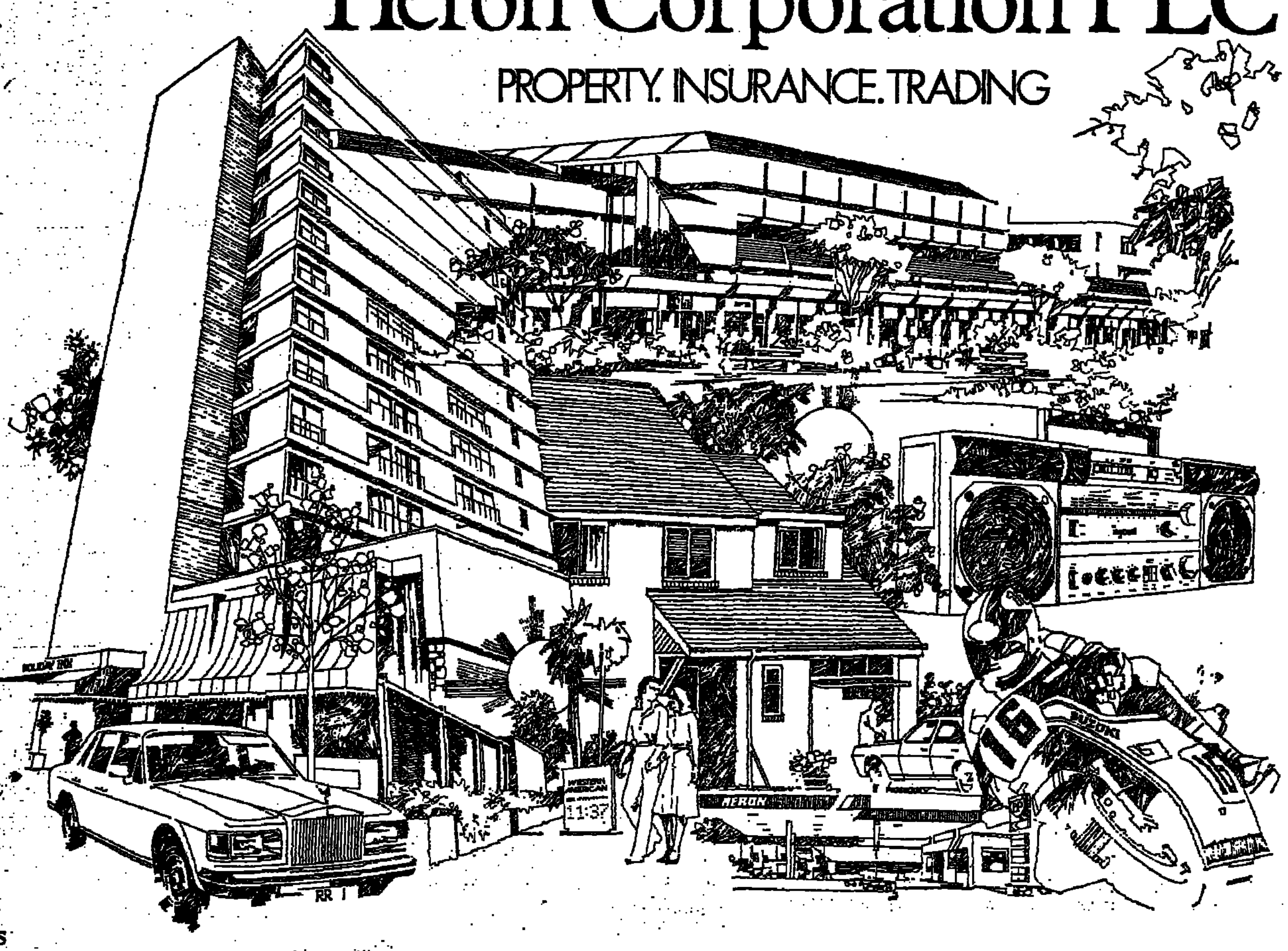
As a result of our available management and financial resources, we are now in a position where we are able to make a substantial acquisition. Our ratio of interest bearing debt to shareholders' funds has reduced substantially over the past few years and at the year end after taking into account a cash balance of £27 million, stood at 58% giving us much more room for expansion.
Our £49.4 million bid for Associated Communications Corporation was unsuccessful but we continue actively to look for further opportunities.

HERON

Copies of the Report and Accounts are available from The Secretary, Heron Corporation PLC, Heron House, 19 Marylebone Road, London NW1 5JL.

Heron Corporation PLC

PROPERTY. INSURANCE. TRADING



Companies and Markets **MINING NEWS** **BIDS AND DEALS**

Tax saving lifts gold mine net profits

BY GEORGE MILLING-STANLEY

A SHARP reduction in the provision for tax and the state's share of profits in the latest quarter gave rise to an increase of 37 per cent in overall profits of the South African gold mines in the Consolidated Gold Fields group.

Net profits for the three months to June 30 were R162m (£91m), against R133m for the first quarter of the year.

The lower government offtake came about mainly because of a fall of R38m in the aggregate amount payable by Driefontein Consolidated following last year's merger between the East and West Driefontein mines.

Gold Fields warned, however, that the net tax saving is still subject to the scrutiny of the Government Mining Engineer, and may have to be adjusted.

Once again, the continued fall in the rand/dollar exchange rate helped to offset the decline in the bullion price, with the result that the price received in rands by the individual mines was only slightly lower than in the previous three months.

Nevertheless, this lower price, combined with an overall 2.8 per cent rise in working costs, was enough to offset the benefits of an increase in the total tonnage milled and a marginal rise in gold grades. Thus profits from gold operations were 1.3 per cent down at R237m.

	June qtr	Mar qtr	Dec qtr
Deelkraal	3,393	2,664	4,291
Doornfontein	12,450	11,168	15,933
Driefontein	122,768	76,465	81,823
Kloof	29,974	28,138	32,968
Libanon	10,573	11,180	12,880
Venterspost†	12,678	13,170	13,579
Vlakfontein	404	487	485

† Includes state assistance.

There were one or two encouraging features of the reports from the individual mines, notably the young Deelkraal.

This operation has had more than its share of problems since start-up, but turned in higher profits this time as increased mill throughput combined with a rise in the gold grade to cut working costs.

By contrast, the marginal Venterspost continues to give cause for concern. This mine managed to boost gold output by mining slightly higher grade ore, but net profits were lower following a sharp reduction in the amount of state aid received.

Assistance under the scheme was cut to R141,000 from R1.01m last time.

Gold Fields rose 13p to 357p in London yesterday in advance of the publication of the reports, but this had more to do with the generally firmer tone of the sector than with any optimism over the results.

BCR to concentrate on drilling in U.S.

CANADA'S British Canadian Resources (BCR), the drilling fund launched in November 1980, reports net earnings for the quarter ended March 31 of C$481,392 (£216,501), including foreign exchange gains of $395,530. Net earnings from operations come out at $85,862, or 3 cents a share. Figures for the first quarter of 1981 were not produced, although the full-year produced net earnings of C$1.2m.

Sales of petroleum and natural gas during the period totalled $583,170 while interest of $345,854 brought gross income to $929,024. Expenses took $748,162 and deferred income taxes $95,000. Retained earnings at the beginning of the period were $128,697.

As at March 31 the company had no debt, and working capital of $8.61m, of which a substantial portion has been committed to the company's exploration programmes.

During the quarter BCR participated in 47 wells. Of these 37 were either drilling, testing or awaiting completion, two were gas discoveries and eight abandoned. Only one of these wells is located in Canada.

BCR says that despite recent significant tax changes made by the Alberta Government and the Federal Government to revitalise the oil and gas industry in Canada, the company does not plan to increase its activities at this time, but will concentrate its efforts in the U.S. where it expects to participate in approximately 70 wells this year.

Oil and gas move for Poseidon

THE AUSTRALIAN gold producer Poseidon is moving into oil and gas exploration in the Surat Basin of New South Wales.

Poseidon is acquiring a 15 per cent interest in Authority to Prospect 309P in the western section of the Surat. The other participants in ATP 309P are Oakwood International Petroleum, Patrick Petroleum, Ampol Exploration and Balmoral Resources.

The company is also acquiring a 10 per cent interest in Petroleum Exploration Licence 182 in the southern Surat where other participants comprise Oil Company of Australia, Volley Oil, Ampol Exploration and Oakwood.

Confidence at Pauls & Whites

Uncertainties relating to the Nigerian economy and the depressed brewing and distilling conditions in the UK, will make it difficult to maintain the relatively high rate of growth achieved last year, Mr M. G. Falcon, chairman of Pauls & Whites, tells members.

"Nevertheless the directors have every confidence that the results will continue to improve," he adds.

As already known, pre-tax profits of this brewing and agricultural concern moved ahead by 25 per cent to £10.76m for the year ended March 31 1982, sales improved by 12 per cent to £271m and exports rose from £16.42m to £26.1m, a 59 per cent boost.

On the malting side, further penetration of overseas markets led to increased exports to offset reduced demand from UK brewers and distillers, while the agriculture sector gained an increased share of the animal feed market.

The concentration of production facilities for food flavours has enhanced the group's position in this industry, the chairman says, and the performance of all overseas operations improved.

Bemrose to lift dividend 150%

Bemrose Corporation yesterday backed up its rejection of Bunzl's £16.1m bid with a forecast of much higher dividends and profits for 1982.

Bemrose, which is engaged in security printing and packaging, said it expected pre-tax profits would be in the region of £3m, compared with £2.57m last year, while its dividend would be raised to 10p from 4p.

At the post-tax level it expected profits would be "in the region of £2.5m against £2.17m last time.

"The overall performance of the group in the first five months of 1982 has been most encouraging in spite of fierce competition and depressed market conditions," it said in its appeal to shareholders.

While stressing that forecasting was difficult at this stage of the year, Bemrose said security printing had made a vigorous start while packaging had improved on the comparable 1981 period. Despite the severe recession in world transfer printing markets it foresees some recovery in its sales in this area.

Despite the proposed 150 per cent dividend increase the group should have a strong positive cash flow. On the anticipated level of pre-tax profits the dividend would be covered 2.2 times by attributable historic cost earnings. At a share price of 140p the dividend provides a gross yield of 10.2 per cent.

Charging that "Bunzl has got it wrong" Bemrose said dividend cuts in 1979 and 1980 were responsible given lower earnings. Bunzl confused a reduction in advance payments from customers with additional payments and was £2m out in calculating cash flow, Bemrose claimed.

It alleged that Bunzl had given a false impression of Bemrose's borrowing position by commenting only on its 1980 figures.

Bunzl was still dependent on cigarette filters for much of its profits while overlapping packaging activities, advanced by Bunzl as a reason for the deal, accounted only for a small part of turnover, Bemrose said.

Bunzl increased its bid by £2.31m on June 3 to £16.12m after its original offer secured acceptances from only 0.8 per cent of the ordinary equity.

Sunlight backs up its bid for Johnson

Sunlight Service Group yesterday forecast a higher 1982 profit and dividend to back up its £33.2m contested bid for Johnson Group Cleaners.

Sunlight said it expected consolidated pre-tax profit of the group in its present form would rise 25 per cent to "not less than £2.7m" while it is proposing a 20 per cent dividend rise to 4.05p.

In 1982 it made a pre-tax profit of £2.16m and paid a dividend of 3.375p.

Sunlight last week announced an offer of five ordinary shares, 256p nominal of convertible unsecured loan stock and 380p cash for every four Johnson ordinary shares.

In its formal offer document, sent yesterday, Sunlight also denied Johnson's charge that it had made no serious attempt to get Johnson's directors' agreement to the merger and that it had demanded an answer in "a ridiculously short time scale."

"My colleagues tried hard to obtain your board's agreement but they were told quite clearly at the meeting that Johnson was not for sale," said Sunlight chairman Mr John Franks. Only when the alternative of some other form of merger was raised did Sunlight ask for a decision in principle by the end of the week, he added.

Sunlight, which has linen hire, laundry and dry cleaning and computer and security interests, said size and a diversified range of activities were increasingly important in the cleaning industry, which was undergoing a period of rationalisation.

Johnson's main activity is dry-cleaning, though it also has workwear and towel rental and linen hire services.

ASSAM FRONTIER CONSIDERS OFFERS

A subsidiary of Wrengate has acquired from Sime Darby Berhad 232,421 Ordinary shares in Assam Frontier Tea at 312p, and 192,336 preferred stock units at 351p (24.73 per cent and 81.85 per cent respectively). The ordinary and preferred stock units carry rights to 53.29 per cent of the votes.

Caparo Group, which is acting in concert with Wrengate, owns 201,900 Assam Frontier ordinary (21.60 per cent) and 15,250 preferred (6.49 per cent).

Offers will be made by a company, owned jointly by Wrengate and Caparo, for Assam Frontier on the above basis.

The board and advisers of Assam Frontier state that they are considering the offers and expect to contact shareholders shortly. In the meantime they are advised to retain their holdings and to take no action.

Plessey offshoot buy-out

FOUR SENIOR executives of the Plessey Group have completed a management buy-out of the consultancy operations of Plessey Assessment Services. The new company is called Reliability Consultants.

The establishment of the company will guarantee outside clients' confidentiality, according to Mr Brian Mair, former managing director of Assessment Services and managing director of Reliability Consultants.

"Operating in the defence industry it was difficult at times to convince clients of our independence," he said.

Reliability declined to reveal how much it was paying but said the purchase price, which did not involve the purchase of assets, was less than £1m.

The company employs just under 40 staff at its Titchfield, Hampshire, headquarters and expects to achieve turnover of more than £750,000 in its first year. Plessey group companies will account for 25 per cent to 30 per cent of its business.

It advises on the availability and reliability of complex defence and telecommunications systems and equipment and on cost assets.

The other executives involved in the buy-out are Mr Ron Clark, a former managing director of Plessey's electronic components division, who will be chairman, Mr Anthony Warren, finance director and company secretary and Mr Kenneth Fearnside, a director.

DUPORT/SAVILLE GORDON DEAL

Duport and J. Saville Gordon Group say agreement in principle has been reached between their respective subsidiaries whereby Duport Properties will sell the Vaughan Estate (an industrial trading estate at Tipton) to J. Saville Gordon Properties.

Consideration is a cash payment of £4.75m (the value in the books of Duport Properties at January 31 1982). The Vaughan Estate will continue to be administered by Duport Properties.

It is not expected that the disposal will have a significant effect on profits of Duport Group. Proceeds will be used to reduce Duport's borrowings and the group is expected to benefit from flexibility which will result from a reduction in level of gearing.

Audiotronic details

Details of an anticipated capital reorganisation for Audiotronic Holdings have been announced in a circular to shareholders from Mr Alexander Macpherson, the group's chairman.

Each holder of the 10p preference shares, under the proposed terms of the reorganisation, will receive 50 new ordinary 2.5p shares in place of 100 preference shares. Each holder of the 10p ordinary shares will receive six new 2.5p ordinary shares in place of 100 ordinary shares.

The reduction of the capital will allow the accounting elimination of Audiotronics' accumulated deficit of £4.2m and the creation of a special reserve of £678,000.

Audiotronics announced on May 25 the sale of its loss-making Dutch retail subsidiary Allwave. The board now believes that despite a consequent reduction of the group's short-term indebtedness, additional capital of £400,000 is still required as a prerequisite for the survival of the group. A rights issue for this amount is envisaged.

Emphasising the importance of the proposed restructuring and the continuing precariousness of the group's financial position, the board yesterday indicated further that the only alternative would be a realisation of the remaining assets, offering little to preference shareholders and nothing to ordinary shareholders.

DELTIGHT OFFER

An extraordinary meeting of Deltight Industries has approved an increase in the group's share capital.

Accordingly the subscription agreement became unconditional: 2.7m new ordinary shares are to be allotted to the subscribers (Newship Industries) in exchange for £351,091.

This is expected to be implemented within five days. The transaction gives rise to a mandatory bid obligation upon the subscribers.

The offer will be 13p for each Deltight ordinary share

STANDARD SECURITIES

Standard Securities has completed the sale of 187/205 St John Street, EC, for £1.4m, being £110,000 in excess of the valuation which was carried out in connection with the company's listing on the Stock Exchange in April 1982.

JOHN CROWTHER BEAUMONTEX

John Crowther Group has acquired Beaumontex from the Beaumont family and the liquidator of Remnards and Garside.

LONDON TRADED OPTIONS

July 6 Total Contracts 2898 Calls 2348 Puts 550

Option	Ex'rcise price	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	Equity close
BP (c)	260	18	—	30	5	—	—	272p
BP (c)	280	7	90	17	57	25	2	"
BP (c)	300	3	1	12	—	18	—	"
BP (p)	280	14	56	19	—	24	1	"
BP (p)	300	32	20	36	—	42	—	"
CU (c)	130	7	1	13	—	18	1	133p
Cons. Gld (c)	330	32	2	40	2	48	—	354p
Cons. Gld (c)	360	10	—	20	4	32	—	"
Cons. Gld (c)	460	1	10	3	—	—	—	"
Cons. Gld (p)	300	3	10	8	—	14	—	"
Cons. Gld (p)	330	8	5	16	—	22	—	"
Ctlds. (c)	70	11	2	15	—	18	—	79p
Ctlds. (c)	80	3½	—	9	22	12	1	"
GEC (c)	800	220	2	250	—	250	—	210½
GEC (c)	850	170	7	180	—	200	—	"
GEC (c)	900	120	15	130	—	150	—	"
GEC (c)	950	70	11	95	13	120	32	"
GEC (c)	1000	35	40	60	61	85	—	"
GEC (p)	850	1	2	6	—	10	—	"
GEC (p)	900	2	4	12	—	22	—	"
GEC (p)	950	7	7	20	4	32	—	"
GEC (p)	1000	20	7	40	—	53	—	"
Gr'd Met. (c)	194	39	22	43	—	46	—	232p
Gr'd Met. (c)	200	34	—	37	10	41	—	"
Gr'd Met. (c)	214	21	10	26	16	30	—	"
Gr'd Met. (c)	220	14	15	22	43	25	2	"
Gr'd Met. (c)	240	3	—	8½	80	14	2	"
Gr'd Met. (p)	214	2½	—	7	3	10	—	"
Gr'd Met. (p)	220	4	5	10	—	12	—	"
ICI (c)	280	30	4	—	—	—	—	306p
ICI (p)	300	5	4	12	—	17	—	"
ICI (p)	350	24	6	32	1	38	—	"
Land Sec. (c)	280	3	74	10	—	20	—	257p
Mks & Sp. (c)	120	38	4	—	—	—	—	157p
Mks & Sp. (c)	140	18	2	22	3	27	—	"
Mks & Sp. (c)	160	2½	26	8½	50	14	2	"
Shell (c)	330	60	—	64	5	—	—	388p
Shell (c)	390	10	41	19	21	26	—	"
Shell (c)	240	2½	—	11	1	20	—	"
Shell (p)	390	14	2	19	2	24	—	"
Shell (p)	420	36	6	42	—	48	—	"
		August		November		February		
Barclays (c)	383	13	2	27	—	—	—	383p
Barclays (p)	417	40	2	43	—	—	—	"
Imperial (c)	70	35	1	—	—	—	—	104p
Imperial (c)	80	25	2	26½	—	—	—	"
Imperial (c)	90	15	105	17½	—	21	1	"
Imperial (c)	100	7½	101	12	3	14½	110	"
Imperial (c)	110	3¼	—	6	12	9½	—	"
Imperial (p)	100	3	100	4½	—	6	100	"
Imperial (p)	110	7½	—	9½	—	10½	50	"
Lasmo (c)	260	—	—	50	6	—	—	289p
Lasmo (c)	280	27	2	35	—	47	—	"
Lasmo (c)	300	10	—	24	5	37	—	"
Lasmo (c)	330	4	6	14	—	26	—	"
Lonrho (c)	60	22	2	23	11	24	—	80p
Lonrho (c)	70	12½	189	14	128	16	15	"
Lonrho (c)	80	6	136	8	308	10	65	"
Lonrho (c)	90	2	131	—	—	—	—	"
Lonrho (p)	70	2	1	3	1	5	—	"
Lonrho (p)	80	4	—	7	45	9	4	"
Lonrho (p)	90	11	40	—	—	—	—	"
P & O (c)	130	20	2	28	38	—	—	148p
P & O (c)	140	12	58	19	39	23	—	"
Racal (c)	390	68	1	85	—	98	—	455p
Racal (c)	420	38	28	60	—	73	—	"
Racal (c)	460	12	27	33	2	43	—	"
Racal (p)	420	3	30	15	—	23	2	"
Racal (p)	460	18	30	25	—	32	—	"
RTZ (c)	390	10	—	23	—	30	4	369p
Vaal Rfs. (c)	40	2¼	5	3½	—	4½	—	$39
Vaal Rfs. (c)	45	1	—	2	10	3	—	"

C=Call P=Put

EUROPEAN OPTIONS EXCHANGE

Series		Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
GOLD C	$325	20	9	1	22.50	—	—	$310.50
GOLD C	$350	7	3	3	15	—	—	"
GOLD C	$375	—	—	30	7	—	—	"
GOLD C	$400	—	—	1	3	—	—	"
GOLD P	$300	—	—	74	12	6	15	"
GOLD P	$325	5	19	—	—	—	—	"
GOLD P	$350	—	—	3	40	—	—	"
12¾ NL 81 87-91								
C	F.110	30	1.50	—	—	—	—	F.111
C	F.115	—	—	20	0.70	—	—	"
P	F.110	25	0.80	—	—	—	—	"
12 NL 81 86-88								
C	F.102.50	50	1.60	—	—	—	—	—
10¾ NL 80 85-95								
C	F.100	10	0.70	—	—	—	—	F.100.20
C	F.102.50	—	—	—	—	20	1.50	"
11¼ NL 82 88-92								
C	F.100	2	2.10	—	—	—	—	F.102
		July		Oct.		Jan.		
ABN P	F.280	5	3.30	—	—	—	—	F.276
ABN P	F.300	—	—	—	—	1	28	"
AKZO C	F22.50	10	1.20	—	—	—	—	F.23.50
AKZO C	F.25	—	—	1	0.90	50	1.50	"
AKZO P	F.25	—	—	20	2	—	—	"
AMRO C	F.45	—	—	20	3	—	—	F.46
AMRO C	F.50	—	—	5	1	—	—	"
AMRO P	F.50	—	—	20	4	—	—	"
HOOG C	F.17.50	—	—	—	—	10	1	F.14.70
KLM C	F.90	17	1.20	9	6.30	—	—	F.88.10
KLM C	F.100	10	0.10	20	3.50	5	5.90	"
KLM C	F.110	—	—	25	1.90	—	—	"
KLM C	F.120	—	—	—	—	10	2	"
KLM P	F.80	—	—	—	—	1	4.50	"
KLM P	F.90	110	5	63	6.50	4	8	"
KLM P	F.100	7	11.80	11	12.70	—	—	"
NEDL C	F.110	3	2.40	2	6.80	—	—	F.111.20
NEDL C	F.120	—	—	9	2.50	3	4.80	"
NEDL P	F.110	4	0.40	2	3.30 B	—	—	"
NATN P	F.110	—	—	5	1.50	—	—	F.115.20
NATN P	F.115	—	—	—	—	3	4.50	"
PHIL C	F.20	5	2.80 B	—	—	—	—	F.22.90
PHIL C	F22.50	55	0.40 B	—	—	—	—	"
PHIL C	F.25	—	—	60	0.50	31	1	"
PHIL C	F.27.50	—	—	35	0.20	—	—	"
RD C	F.80	2	6	4	7.20 B	2	9	F.85.40
RD C	F.90	30	0.20	51	2	17	3.30	"
RD C	F.100	—	—	28	0.40	—	—	"
RD P	F.80	—	—	121	2.10	—	—	"
RD P	F.90	9	4.70 B	12	8	6	8.50	"
UNIL C	F.150	—	—	1	2.90	5	3.70	F.143.80
UNIL C	F.160	1	0.10	6	0.80	—	—	"
UNIL P	F.140	2	0.10	—	—	—	—	"

TOTAL VOLUME IN CONTRACTS 1256

A=Asked B=Bid C=Call P=Put

HARMER ACQUIRES 87.5% OF FIT

The offer by Harmer Securities for Finance and Industrial Trust has been accepted in respect of 2.52m shares (87.5 per cent). These include 1.65m (64 per cent) held by Harmer Finance, a wholly-owned subsidiary.

Offers have been extended and will remain open until July 23.

GEORGE SPENCER

Gilstan had disposed of 223,050 ordinary shares in George Spencer.

Mrs S. H. Livingston is a director of both companies, and is beneficially interested in the share capital of Gilstan.

As a result of the disposal Mr S. H. Livingston ceases to have a beneficial interest in 223,050 ordinary shares.

ALBERT FISHER

Mr A. B. Millar, the chairman of the Albert Fisher Group, has purchased through Alrstar, a company controlled by him, 299,999 ordinary shares in the group. He is now interested in 1,167,159 shares (19.45 per cent).

Mr P. D. Brown has disposed of 215,558 shares, reducing his holding to 483,603 shares.

NSG/DAWSEA

The Scheme of Arrangement to effect the amalgamation of North Sea & General Oil Investments (NSG) and Dawsea has been sanctioned by the High Court. Dawsea has become a wholly owned subsidiary of NSG and certificates for Dawsea ordinary shares and loan stock now cease to be of value.

UK COMPANY NEWS

Macpherson sees strong recovery

PRE-TAX losses of £390,000 for the 26 weeks to April 25 are reported by Donald Macpherson Group, compared with profits of £820,000 previously.

But Mr Rex Chester, the chairman, says the group is now trading profitably and the interim dividend is being maintained at 1.5p net—last year a total of 4.2p was paid from a taxable surplus of £2.87m.

The chairman had indicated in May that this manufacturer of paint and other surface coatings would incur a small loss at six months.

He now expects second-half results to show a substantial improvement over those for the first half. This should lead to a full-year outturn "which will not be unsatisfactory having regard to all the circumstances."

The interim loss was caused primarily by timing differences in selling price increases, raw material cost increases and annual wage and salary settlements, the chairman says.

The bad winter and the continuing absence of any appreciable recovery in the level of activity in UK manufacturing industry also affected performance.

Losses per 25p share in the half-year are shown as 4.1p, compared with earnings of 2.4p last time. Tax took £336,000 (£533,000).

Sales rose from £42.56m to £46.45m, with the UK contribution increasing by £3.51m to £36.72m.

Trading profits dived to £433,000 (£1.83m), comprising UK £152,000 (£681,000) and overseas £281,000 (£635,000).

Cover Plus, with Woolworth's increased commitment to DIY, continued to perform well during the period, the chairman says. The trade sales market has been subject to intense competition at home but some progress has been made in export markets.

The industrial division held its own in terms of market share in spite of severe competition. The continuing depression in the furniture industry has inevitably led to substantial reductions in demand for coating products and also for the fixtures and fittings marketed by the Unerman division.

Overseas companies continued to make a satisfactory contribution but development expenditure on some of the group's more recent acquisitions has been somewhat higher than anticipated, particularly in South Africa and North America.

Interest charges rose to £722,000 (£468,000), reflecting mainly the cost of borrowings incurred in making recent acquisitions.

CCA losses before tax were £684,000 for the half-year.

● comment

Earlier optimism gave way to a forecast of half time losses at the end of May. So the full extent of Macpherson's downturn was greeted in the market with almost total equanimity. The price held steady at 39p yesterday having already come back from a high of 58p. Macpherson's basic problems are straightforward enough—intense competition, sagging volume on decorative paint and weak prices. The group has just implemented its first increase on the decorative side for 15 months—a rise of 7½ per cent for Cover Plus. Pricing on industrial coatings is even more uphill. The acquisition spree has lifted interest costs by more than £300,000 and capital gearing is up to 65 per cent. The group is budgeting for sales of £108m this year and there will be a return to the black in the second half. But some City estimates of £1.8m pre-tax for the year are asking a very great deal of the closing six months. Moreover the long term commitment to Woolworth's high street shops (Macpherson does not sell through B and Q) is a question mark over the future's growth prospects. A yield of 10½ per cent is still taking a fairly rosy view.

R. Kelvin Watson up 25% to £0.46m

FOR THE year ended March 31 1982, R. Kelvin Watson, optician, recorded a 25 per cent rise in profit before tax to £456,633 against £365,153 last time, on turnover up from £5.5m to £6.47m.

The final dividend per 10p ordinary share was 2.3p net (2p), lifting the total to 3.5p net (3.3p).

Tax came to £189,631 (£188,720), leaving net profit at £267,002 compared with £176,473 previously. Earnings per share were stated higher at 7.85p (4.83p).

The directors say the results have been achieved in spite of there having been no real signs of an end to the recession. The company is to maintain its policy of expansion, particularly in its retail outlets, directors say.

In addition, the company has had a successful year with the gas permeable contact lens and in wholesaling contact lens products. Directors say that they are looking forward to more success from a new extended wear contact lens to be launched in the autumn.

The current year has commenced satisfactorily, the directors note, but caution that in common with the rest of the profession, the company is still experiencing some resistance from the consumer to the increase in health service optical charges which came into force in April this year.

However, it has been the company's experience in the past that such resistance is of a temporary nature, the directors stress.

CCA pre-tax profit works out to £251,000 (£182,000).

Heron pushes ahead to £15.5m

PRE-TAX PROFITS of the private property and vehicle distribution group Heron Corporation rose from £13.43m to £15.5m in the year to March 31, 1982, on turnover of £322m, up from last year's £302.69m.

Mr Gerald Ronson, chairman, says that as a result of available management and financial resources, Heron is now in a position where it is able to make a substantial acquisition.

The ratio of interest-bearing debt to shareholders' funds had reduced substantially in the past few years. At year end, taking into account cash balances of £27m, the ratio stood at 58 per cent, giving much room for expansion.

On Monday, Heron announced that it had acquired a 5.1 per cent stake in UDS Group, the department store, women's fashion and menswear retailer. Mr Ronson says that following the unsuccessful attempt to acquire Associated Communications Corporation at a realistic price, Heron was continuing actively to look for further acquisitions.

Interest payments for the year totalled £9.49m (£9.62m) and tax took £7.13m (£5.05m). Minorities credits amounted to £1,000 (£160,000) and extraordinary credits contributed £2.28m (debt £1.99m).

The group's profit before tax breaks down as follows: trading £8.14m (£9.28m); property £6.84m (£2.88m); insurance £5.48m (£5.1m); other activities £216,000 (£825,000); unallocated group finance charges £5.17m (£4.42m).

Mr Ronson says that shareholders' funds increased by 40 per cent to £186m, including some £36.8m arising from valuation on completion of several property development projects.

At March 31 1982, Heron had total available financial resources, either in cash or undrawn bank lines, in excess of £100m. The company is wholly-owned by Heron International.

Bambers Stores forecasts midway loss

THE CHAIRMAN of Bambers Stores told the annual meeting that the policy of the directors to reduce stock levels had been accelerated and that excess stocks held at the end of last year had been significantly reduced.

He warned, however, that this policy would result in a loss at the interim stage, but added that, despite what was going to be a very disappointing first half, he believed the problems of the past months were now behind.

The meeting was told that the new management had matters firmly under control and had laid the foundation for a total recovery.

R. W. Toothill well ahead: pays 3p more

DESPITE A slowdown in the second six months R. W. Toothill, furniture maker, managed to push up its pre-tax profits from £117,000 to £248,000 for the year to March 31 1982. Turnover rose by £1.14m to £4.82m.

First half profits amounted to £168,000 (£21,262 loss) and a reasonable third quarter was anticipated. No prediction for the full year was given.

Stated earnings for the 1981-82 year emerged well ahead at 20.35p (11.22p) and a final dividend of 2.5p makes a net total of 6.5p—a single payment of 3.5p was paid the previous year.

Although trading conditions remain difficult the company is continuing to trade profitably. However, the directors say it is probable that profits for the first half of the current year will be less than those of the corresponding period, "but not materially so."

Rexmore turns in £546,000 and sees further progress

TAXABLE PROFITS of £546,000 for the year to March 31, against losses of £901,000 previously, are reported by Rexmore, fabric supplier and distributor. Turnover fell by £5.58m to £31.01m.

The pre-tax figure includes higher associate's contribution of £69,000 (£41,000) and is after reduced losses of £26,000 (£843,000) on discontinued operations, and interest of £608,000 (£1.3m).

The directors expect the group to obtain further benefits from the rationalisation programme of the past 18 months and they forecast further progress this year.

There was an improvement at the trading level of £136,000 and a £496,000 reduction in interest charges arising largely from the stock reductions on 1980-81 and the sale of S. A. Driver in July 1981.

Losses incurred last year at the discontinued operations at Blackburn have been eliminated, the directors say. But the final closures have entailed additional extraordinary expenses of £130,000 and it is clear these are the final costs.

The total dividend is raised from 1p to 1.05p net, with a final of 0.525p, while earnings per 25p share are given as 2.45p (11.89p losses). Tax charge fell from £285,000 to £197,000.

The directors say that during the year the guarantees concerning part of the borrowings of a former trade investment were called for substantiation when a receiver was appointed. The group's liability was advised to be minimal at all material times.

Trading losses and expenses were incurred during the six-month receivership and the consideration which will be received on deferred terms for the business has proved inadequate to release Rexmore, and the board has provided for the full liability.

CCA pre-tax income for the period was £266,000 (£1.21m loss).

Laganvale on target with £0.29m

TAXABLE PROFITS of Laganvale Estate were on target at £293,484 for the 12 months to April 30 1982 and showed a considerable improvement over the £105,515 returned the previous year.

In February, announcing that Sturla Holdings had withdrawn its bid for the company, Laganvale directors forecast profits of not less than £280,000. Midyear figures were £86,149 higher at £124,023.

Stated earnings per 10p share for the year moved ahead from 0.67p to 1.06p, pre-exceptional items, but there is again no dividend. However, the directors say that, circumstances allowing, they hope to bring the company back to the dividend list during 1982-83.

Turnover for the year under review rose from £967,176 to £1.8m—the group's activities are principally related to property investment, development and dealing.

The pre-tax surplus included interest received of £91,693, against a charge of £132,620. Tax paid amounted to £134,526 (£52,113) and there was an exceptional debit of £49,450 (nil). Net assets per share totalled 34p (30p).

The directors say that since the beginning of the 1981-82 year the company has, under its new management, engaged in further disposals of its secondary properties. The Mitre House office and shop complex in Brighton now represents a major proportion of the company's assets.

Negotiations were completed last month for the surrender of one of the shop leases for £175,000—the rent had been fixed at £1,800 per annum for the next 12 years. The directors point out that this shop has now been re-let at £50,000 per annum for 20 years with five year reviews. This transaction is not reflected in the assets per share at year end.

It is the policy of the company to pursue further transactions that will similarly enhance the capital value of Mitre House.

At the end of the year under review, Laganvale acquired Regentcrest. It also acquired £1.4m of commercial properties that were held by Regentcrest as trustee, and will have benefit of rental income of some £90,000 as well as imminent rent reviews and lease surrenders.

Group rental income is now running at £360,000 per annum, which the directors intend to further increase.

As a result of an introduction by its financial advisers Rhone Trust (51 per cent owned by Geneva-based Banque du Rhone et de La Tamise S.A.), Laganvale successfully completed negotiations to invest approximately $0.5m in a $12.7m office development in Michigan, U.S. The director's policy is that investments in the U.S. are carried out with substantial U.S. partners, who themselves in turn become majority investors.

They intend to step up the company's property dealings, both in the U.S. and the UK, and with the benefits of these plans, Laganvale will develop a high quality diversified portfolio of properties, showing both revenue and capital appreciation in the future. New investment opportunities will continue to be sought.

Laganvale is proposing to change its name to Regentcrest.

RESULTS AND ACCOUNTS IN BRIEF

REED INTERNATIONAL (paper, paperboard, packaging, printing, publishing, wall coverings, building products) — Results for the 53 weeks to April 4 1982, reported June 8. Shareholders' funds including £4.1m preference share capital, £589m (£498.3m). Properties and plant £391m (£345.2m). Net current assets £287.1m (£263m). Increase in short-term borrowings £10.4m (£21.6m), increase in short-term deposits £18.6m (£34.4m decrease). Future capital expenditure £29m (£37.9m), made up as to contracted for £14.1m (£20.4m) and authorised but not contracted for £14.9m (£17.5m). Meeting: The Institute of Electrical Engineers, Savoy Place, WC. August 5, noon.

BARDON HILL GROUP (quarrying, plant and crane hire, civil engineering) —Results for the year to March 31 1982 and prospects reported July 2. Shareholders' funds £8.6m (£7.64m). Fixed assets £9.45m (£8.42m). Net current assets £14,000 (£48,000), including bank overdraft £1.28m (£83,000). Meeting: Leicester, July 22, 11.30 am.

EDBRO (HOLDINGS) (engineer)—Results for the year to March 31 1982 and prospects reported May 28: Shareholders' fund £9.08m (£7.84m). Fixed assets £6.12m (£8.24m). Net current assets £5.3m (£1.14m), including secured overdraft nil (£4.85m). Reduction in working capital £834,000 (£4.93m). Meeting: Charing Cross Hotel, London, July 29, 10 am.

DUNHILL HOLDINGS (tobacco)—Results for year to March 31 1982 reported June 3. Ordinary shareholders' funds £32.42m (£29.28m). Net current assets £38.08m (£30.74m): Short-term deposits and securities £16.14m (£11.68m). Bank overdrafts and short-term loans £4.49m (£8.11m). Fixed assets £6.59m (£7.03m). Increase in working capital £8.33m (£2.15m). Meeting: Café Royal, W, July 28, noon.

COMFORT HOTELS INTERNATIONAL —Results for 1981 reported, with prospects, May 6. Fixed assets £38.56m (£37.5m). Current assets £4.28m (£4.61m). Current liabilities £13m (£10.07m) including bank overdrafts and secured short-term loans £5.15m (£3.68m). Shareholders' funds £15.94m (£16.31m). Meeting: Rainbow Suite, 99 Kensington High Street, W. August 10, 10.30 am.

BRITISH BENZOL CARBONISING (coke and smokeless fuel manufacturer)—Results for year ended March 31 1982 reported June 2. Shareholders' interest £1.49m (£715,000). Fixed assets £1.63m (£1.76m). Net current liabilities £17,000 (£904,000). Net outflow of funds £1.1m (£2.82m outflow). Brint Investments holds 24.65 per cent of capital. Meeting, Newport, Gwent, July 28, 2.30 pm.

DUNDONIAN (property development, natural resources, financial services)—Results for the year to March 31 1982 reported May 27. Shareholders' funds £18.21m (£13.9m). Fixed assets £14m (£7.65m). Current assets £18.49m (£12.58m); current liabilities £11.69m (£5.41m). Meeting: Institute of Chartered Accountants in England and Wales, Moorgate Place, EC. July 27, 11 am.

REDIFFUSION (television rental, electronics)—Results for year to March 31 1982, reported June 26. Shareholders' funds £115.23m (£103.62m). Fixed assets £151.25m (£121.97m). Current assets £78.48m (£95.78m), including bank balances and cash £3.8m (£10.95m). Current liabilities £99.95m (£105.92m), including short-term loans and bank overdrafts £5.73m (£9.77m). Chairman says group entering period of heavy capital expenditure, does not foresee difficulty in borrowing money needed, without undue strain on balance sheet. Meeting: Institute of Directors, SW, July 28, 12.15 pm.

SCOTCROS (food, packaging, engineering)—Results for year to March 31 1982 reported June 9. Total shareholders' funds £7.04m (£8.31m). Fixed assets £10.65m (£7.29m). Net current liabilities £144,000 (£3.24m assets). Bank overdrafts £4.04m (£1.58m). Meeting: Glasgow, July 26, noon.

WHITECROFT (textiles, building supplies, engineering)—Results for the year to March 31 1982 reported June 2. Shareholders' funds £22.43m (£21.39m). Fixed assets £11.8m (£13.95m). Current assets £32.26m (£37.44m), including stocks and work in progress £15.95m (£18.07m); current liabilities £16.46m (£23.47m), including bank overdrafts £4.46m (£9.74m). Decrease in working capital £2.77m (£5.68m). Chairman says advances made are significant but there is some way to go before group achieves level of performance realised prior to 1980 downturn. Meeting: Wilmslow, Cheshire, July 28, noon.

NEW TOKYO INVESTMENT TRUST—No interim dividend. Capital appreciation remains the company's primary objective. Pre-tax revenue £998 for six months to June 30 1982 (£8,248 deficit for period from October 20 1980 to June 30 1981). Tax £8,713 (£2,214). Deficit per ordinary share 0.07p (0.1p). Net asset value 108p (130.9p) and 107.3p (128.1p) adjusted for exercise in full of rights attached to warrants.

CRESCENT JAPAN INVESTMENT TRUST—No dividend, capital appreciation remains company's primary objective. Pre-tax revenue for six months to June 30 1982 £100,797 (£90,240). Tax £52,414 (£46,925). Earnings per share 0.72p (0.64p). Net asset value 294.9p (357.6p). Board says Japanese stock markets relatively quiet as impact of recession made itself felt. Industrial and office automation stocks continue to be emphasised in portfolio.

JOHNSON MATTHEY (precious metal refining, banking, chemical manufacture)—Results for year ended March 31 1982 reported June 17. Shareholders' funds £303.42m (£266.57m). Current assets £1.39bn (£1.21bn). Current liabilities £1.26bn (£1.08bn) including bank loans and overdrafts £91.63m (£50.95m). Investments £26.58m (£18.07m). Fixed assets £99.25m (£87.08m). Base stocks £78.74m (£73.48m). Working capital decreased £5.29m (£24.9m increase). Meeting, 20 Aldermanbury, EC, July 28, 11.30 am.

Help for Indian jute industry

By K. K. Sharma in New Delhi

THE INDIAN Government has decided to establish a Jute Fund to help the jute industry modernise its units, which are now facing a crisis because of competition from synthetics and falling exports.

Mr Shivraj Patil, Minister of Commerce, told a parliamentary committee that the Government also planned to pass legislation to revise the jute levy in order to finance research and development.

In addition, the Government proposed to intensify measures already taken to stimulate demand for jute goods by continuing purchases by its own agencies and by expanding the role of the Jute Corporation of India for ensuring fair and remunerative prices for raw jute, he added.

Mr Patil rejected the industry's plea for a production cut and closure of some mills for a period on account on the present glut in jute products.

No wheat imports expected

By K. K. Sharma

INDIA'S agriculture ministry now feels that it will not be necessary to make grain imports this year in spite of the damage to the wheat crop earlier this year. This follows unexpectedly large sales to the Government by farmers so far.

Wheat procured by government agencies for stock purposes has been estimated at more than 8m tonnes, which is 1m tonnes more than at the same time last year when there was a record harvest. Procurement could exceed 9m tonnes by the time the season ends in the next three weeks.

This means that the government's buffer stock will have reached about 15m tonnes, well above the 12m tonnes considered necessary for a safe buffer stock although the "operational stocks" — those catering to the public distribution system of ration shops — will still be insufficient until the rice crop is harvested in the autumn.

EEC to maintain export pressure

BY LARRY KLINGER IN BRUSSELS

THE EUROPEAN Commission has made clear that it will continue to seek expanded export outlets for the European Community's surplus agriculture produce in spite of growing protests from some of the EEC's main trading partners that its subsidies policy is both unfair competition and disrupting to world markets.

The Commission is also still aiming to secure long-term export contracts in spite of the opposition of several member-states, and would like to expand sales to Eastern Europe, rejecting the European Parliament's call for rigid controls on trade with the Soviet Union and its Warsaw Pact allies.

Mr Poul Dalsager, the Commissioner responsible for agriculture, told EEC Agriculture Ministers and other top officials, who ended a two-day informal meeting in Brussels yesterday, that the Commission was seeking a "more coherent strategy" to pursue its "active" export policy, based on a wider range of instruments than just the export refund.

The widespread use of the export refund—which is basically a subsidy paid to make up the difference between the EEC's guaranteed producer prices and lower world commodity prices—is the main bone of contention with the EEC's main competitors, and Mr Dalsager said that it would be preferable, in the medium-term, that the importance of the refund should "gradually diminish."

He made clear, however, that the export refund would remain a "key mechanism" and that overall policy would continue to be directed towards expansion.

While pointing out that the EEC remained the world's largest agricultural market "with a comparatively open system and few restrictions on private enterprise," he emphasised that "our main competitors, such as the United States and Australia, are becoming increasingly aggressive in their own export policies."

Mr Dalsager said that he hoped that the "reservations" of several member-states on long-term contracts would be lifted soon and called for the greater co-ordination of export credits.

Mr Dalsager admitted that the Commission was under considerable pressure from Parliament to adopt sterner control measures on exports to Eastern Europe and did not rule out "some improvements" in export arrangements, "possibly through greater co-ordination with other suppliers."

"We do fear, however," Mr Dalsager said, "that some of the suggestions made in the Parliament's resolution would make our export policy more rigid, less effective and more expensive."

Peru urges copper sales boycott

LIMA — Peru intends to ask other copper producing countries to join it in suspending exports of the metal until world prices improve, reports AP-Dow Jones.

President Fernando Belaunde Terry says support for the Peruvian proposal will be sought at next week's meeting here of the Intergovernmental Council of Copper Exporting Countries (CIPEC).

Representatives from Chile, Zaire, Zambia, Peru and other countries, which control more than 70 per cent of world copper production will meet here on Monday and Tuesday.

President Belaunde and other government leaders have expressed growing concern over low world prices for metals. Mining is Peru's largest industry, employing 60,000 people and generating 60 per cent of the country's earnings. Peru produces around 400,000 tonnes of copper a year.

If Peru restricts its copper sales, production would be paralysed at important mines, including Toquepala and Cuajone in the southern part of the country, Sr Belaunde said.

The mines are operated by the Southern Peru Copper Corporation, which produces 67 per cent of Peru's copper and employs 10,000 workers.

MEAT TRADING

Alarums in meat marketing

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

THE AGRICULTURAL co-operative movement has been shocked this week with the announcement that North Devon Meat at Barnstaple, one of the success stories of agricultural marketing, has told its members that it has been making heavy losses. It is continuing trading but been forced to freeze debts outstanding as at June 25. The announcement has had repercussions right through the marketing chain.

One of the first effects may have been a substantial drop in the live market price of lambs in the last two days of last week. This was believed to have been caused by a diversion of lamb from deadweight selling to the livestock markets including those in the West of England.

Farmers have been very nervous of deadweight selling recently after one or two abattoir failures. Confidence has been shaken everywhere and the diversion could well be total instead of about 70 per cent at present.

The problems of North Devon Meat have been common to all the wholesale meat trade. Turnover in beef is well down and margins have been squeezed between hard selling by farmers and the even harder buying by the supermarket chains. These do not yet control the majority of the meat market, but every private butcher's shop which closes means one less buyer.

The supermarkets do not in general buy from farmers or markets, but from wholesalers.

One of the safety valves for the wholesale meat trade was the export of sheepmeat to the continent—40,000 tonnes were exported last year. But this outlet has been effectively closed for the last few weeks because of the workings of the EEC's sheepmeat regime.

Under the regime, the British sheepmeat price is supported by a deficiency payment which makes the market price up to the guaranteed price for the week in which it is sold. The guaranteed price this week is 221 pence a kilo, and if the market price is 150 pence (it could well be lower), the deficiency payment would be 70 pence.

This premium is applied as a clawback on any exports of sheepmeat to fellow members of the EEC and has closed the European markets completely to British sheepmeat.

To make matters even worse, the devaluation of the French franc has made the landing of lamb in the Paris market absolutely impossible. The French market is in any case very weak at the moment.

Meat traders have attacked the regime in no uncertain terms, but farmers can see little wrong with it nor, when he negotiated it, could the Minister of Agriculture, Mr Peter Walker. He claimed that the operation of the deficiency payment would mean that the housewife, a creature for whom he has demonstrated scant sympathy in general, would get cheaper meat and she is certainly able to buy lamb well below the farmer's guaranteed price.

It is very difficult to see how any other scheme could have succeeded in maintaining the price to farmers without resulting in massive intervention buying. The French, on past form, would certainly have gone on preventing the imports of lamb when it looked as though they could have undermined their own market. The clawback which applies to the whole Community stops any backdoor imports into France.

Livestock auctioneers may be rubbing their hands at the prospect of conducting more of the sales of fatstock, but their position is none too secure. It is true their throughput is increasing. But one of their attractions to farmers is that they claim to pay on the day of sale. On the other hand, they are being asked increasingly to give buyers credit. One told me that a large and soundly based customer had demanded three weeks' credit as a price for attending his auctions.

Then there is the possibility of a buyer's failure which has to be insured against. Not all buyers are credit-worthy, so premiums can be very large, if insurance can be secured at all. It is possible that by the time the credit risks are insured and interest paid there is little profit left for the auctioneers.

North Devon Meat has been a dynamic, even aggressive organisation, particularly in the export trade. It may have overtraded to a dangerous extent, but it is almost certain that it won't be the last company to confess to difficulties in the present state of the meat market. To make matters worse, the consumption of red meat, except for pork and poultry, is slowly declining.

Sugar price rally continues

BY OUR COMMODITIES STAFF

THE RALLY in world sugar values continued yesterday with the London daily raws price being fixed £3 higher at £116 a tonne and the October position on the London futures market ending £2.475 up on the day at £126.875 a tonne. The LDP has now recovered £21 from the three-year low reached last month.

Dealers see the recent rally as a technical reaction to a reduction in supplies available for nearby delivery following increased physical demand—particularly from Japan and China. In addition limited EEC releases at the weekly export tenders have encouraged the upward trend.

The longer-term outlook remains basically bearish, however, with recent news indicating that the supply surplus overhanging the market is more likely to grow than decline.

In New Delhi, the Sugar Mills Association has estimated India's sugar output up to June 15 in the 1981-82 season which started last October at a record 8.17m tonnes, against 5.04m in the same period last season.

Total offtake until June 15 was about 3.46m tonnes for domestic consumption and 210,000 tonnes for exports, against 3.25m for internal consumption and 60,000 tonnes for exports in the corresponding period last year.

ISMA said factory stocks on June 15 were about 5.27m tonnes against 2.32m.

In Bangkok, meanwhile, the Thai Board of Trade estimated that 30.11m tonnes of sugar cane were produced during the 1981-82 season (November to May) which could be milled into 2.67m tonnes of sugar.

The average yield of sugar during the milling season just ended was 88.67 kilos per tonne of cane, lower than the yield of 90 kilos fixed by the government, BOT said.

Thailand produced 18.6m tonnes of cane which yielded 1.6m tonnes of sugar during the previous season.

● The 1982 Australian sugar cane crush has started well with record tonnages being crushed in some areas and many mills reporting good sugar content, the Australian Sugar Producers Association (ASPA) said.

Farmland prices steady

By Terry Povey

AGRICULTURAL land prices in England for the three months up to the end of May averaged £4,400 per hectare, according to the latest figures from the Ministry of Agriculture. This was £51 per hectare up on the previous month's figures.

The price index (1973=100) was unchanged, however, at 213, while the weighted average price remained at £4,136.

The provisional sales total for the three months ending May was just over 6,200 hectares, less than half the figure for the three months ending June 1981 and just over half the figure for the same period in 1980.

Indonesia sees coffee surplus

BY RICHARD COWPER IN JAKARTA

INDONESIA is likely to achieve a record coffee crop of 5.4m bags (324,000 tonnes) this year, but the increase could hardly have come at a less auspicious time. Exports are down and coffee stocks, currently running at more than a quarter of the country's total production, could increase to over 40 per cent of output by early next year, according to western commodity experts in the Indonesian capital.

Indonesia—the world's largest exporter of robusta coffee and the fourth largest coffee producer—has been badly hit by a sharp reduction in its coffee export quotas, and slack demand on the world market for robusta coffee. Last year (1981-2) Indonesia's exports fell around 17 per cent to 3.2m bags.

Few expect a big recovery in overseas sales in 1982-3. Traders and western commodity experts are forecasting exports of 3.3m bags, still well down on 1979-80 and 1980-81, unless there are serious crop disasters in other coffee growing countries.

The slack export outlook is made doubly painful by Indonesia's fast expanding output. In 1979-80 production was 288,000 tonnes. This year it is expected to be around 324,000 tonnes, up around 5 per cent on last year. Stocks are now running at about 90,000 tonnes and Western experts say by March next year they could well climb as high as 140,000 tonnes, more than 40 per cent of total production.

LONDON OIL SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)		
Arabian Light	31.70-32.80	—0.15
Iranian Light	30.80-31.50	+0.03
Arabian Heavy	29.30-29.75	—0.25
North Sea (Forties)	33.60-33.55	—0.15
African(Bonny L'ht)	34.25-35.00	—0.13
PRODUCTS—North West Europe CIF ($ per tonne)		
Premium gasoline	343-346	—1.5
Gas oil	272-281	—
Heavy fuel oil	165-173	—0.25

GAS OIL FUTURES

Weaker physicals were the main factor behind a continual fall, reports Premier Man.

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per tonne		
July	278.50	—2.00	279.50-78.50
August	281.50	—2.25	285.00-81.50
Sept.	282.50	—2.50	284.00-82.50
Oct.	285.50	—2.25	287.00-85.50
Nov	288.00	—2.00	289.50-88.25
Dec	289.00	—2.75	289.75-89.00
Jan.	291.50	—3.00	—
Feb.	293.50	—1.00	—
March	296.00	+0.50	—

Turnover: 694 (580) lots of 100 tonnes.

GOLD

Gold fell $4¼ to $310-311 in the London bullion market yesterday. The metal opened at $312-313, and was fixed at $313.10 in the morning, and $311.00 in the afternoon. It touched a peak of $313½-314, and a low of $310-$311 at the close.

In Paris the 12½ kilo gold bar was fixed at FFr 68,800 per kilo ($310.44 per ounce) in the afternoon, compared with FFr 68,800 ($310.75) in the morning, and FFr 69,000 ($312.91) Monday afternoon.

In Frankfurt the 12½ kilo gold bar was fixed at DM 25,120 per kilo ($314.98 per ounce), against DM 25,180 ($316.82) previously, and closed at $310½-311, compared with $315-315½.

In Luxembourg the 12½ kilo bar was fixed at the equivalent of $313.70, against $315.50.

LONDON FUTURES

Month	Yest'rday's close	+ or —	Business Done
	£ per troy ounce		
August	180.85-0.90	—2.450	183.20-0.60
Sept'mb'r	182.40-2.80	—2.575	185.15
October	184.15-4.40	[illegible]	[illegible]
November	186.00-6.40	—1.550	—
December	187.60-8.00	—2.850	—
January	189.30-90.10	—1.950	—

Turnover: 486 (109) lots of 100 troy ounces.

GOLD MARKETS

	July 6		July 5	
Gold Bullion (fine ounce)				
Close	$310-311	(£180-180½)	$315¼-315¾	(£181½-182)
Opening	$312-313	(£180½-181)	$315-316	(£181-182)
Morning fixing	$313.10	(£181.245)	$315.50	(£181.897)
Afternoon fixing	$311.00	(£180.290)	$315.25	(£181.763)
Gold Coins July 6				
Krugrnd	$318½-319	(£184½-185)	King Sov	$82-83 (£47½-48)
½ Krug	$164-165	(£95-95½)	Victoria Sov	$82-83 (£47½-48)
¼ Krug	$83½-84	(£48½-49)	French 20s	$67½-76 (£39½-44½)
1/10 Krug	$34-35	(£19¾-20)	50 pesos Mex.	$379½-383½ (£220-221½)
Mapleleaf	$318½-319	(£184½-185¼)	100 Cor. Aust	$302-304 (£175-176)
New Sov	$73½-74	(£42½-43)	$20 Eagles	$375-385 (£217-222)

BRITISH COMMODITY MARKET

BASE METALS

BASE-METAL PRICES gave ground on the London Metal Exchange but closed well above the day's lowest levels reflecting hopes of easier U.S. interest rates. COPPER dipped to £794 but rallied to close at £801.5 while LEAD was finally £326, after £322.5 and ZINC £414.5 after £410.5. TIN closed at £6,750, after £6,700 with the market rallying late on U.S. physical interest. ALUMINIUM traded quietly while NICKEL ended the day at £2,970.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
HighGrde				
Cash	777.5-8	—5	776-7	—8
3 mths	799-.5	—4.5	797-8	—5.75
Settlem't	778	—5	—	......
Cathodes				
Cash	765.5-6	—4.5	763-5	—7.5
3 months	787-.5	—5	793-.5	—7.25
Settlem't	766	—4.5	—	......
U.S. Prod.	—	—	*68-70-75	......

Amalgamated Metal Trading reported that in the morning cash Higher Grade traded at £779.50, 79.00, 78.00, three months £798.00, 98.50, 99.00, 800.00, 799.50, 99.00. Cathodes, cash £766.00, 65.50, 66.00, three months £787.00. Kerb: Higher Grade: Three months £798.50, 98.00, 97.50, 98.00. Afternoon: Higher Grade, three months £795.50, 96.00, 95.00, 96.00, 97.00, 96.50, 97.00, 98.00, 97.00, 97.50. Kerb: Higher Grade: Three months £797.00, 98.00, 99.00, 800.00, 801.00, 800.50, 800.00, 801.00, 802.00, 801.50. Turnover 28,575 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grade	£	£	£	£
Cash	6620-5	+27.5	6610-20	—25
3 months	6725-30	+30	6740-50	[illegible]
Settlem't	6625	+25	—	......
Standard				
Cash	6620-5	+27.5	6610-20	—25
3 months	6725-30	+30	6735-45	[illegible]
Settlem't	6625	+25	—	......
Straits E.	$29.15	[illegible]	—	......
New York	—			

Tin—Morning: Standard, cash £6,605, 15, three months £6,700, 20, 20, 25. Kerb: Standard, Three months £6,730. Afternoon: Standard, cash £6,620, three months £6,730, 40, 35. Kerb: Standard: Three months £6,750. Turnover 2,480 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	315-20	[illegible]	[illegible]	[illegible]
3 months	324-5	[illegible]	326-.5	[illegible]
Settlem't	319.5	[illegible]	—	......
U.S. Spot	—	—	*25-8	......

Lead—Morning: Three months £328.00, 26.50, 27.00, 26.50. Kerb: Three months £326.00, 25.50, 25.00. Afternoon: Three months £323.00, 22.50, 23.00, 23.50. Kerb: Three months £324.50, 25.00, 26.00, 27.00, 28.00, 29.00, 30.00, 28.00, 26.00. Turnover: 36,725 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	409-10	—.25	408-9	—2.5
3 months	414.5-5	—1.75	412.5-3.5	—4.5
S'ment	410	......	—	......
Primw'ts	—	......	35-7.5	......

Zinc — Morning: Three months £414.00, 13.00, 13.50, 14.00, 13.50, 15.00, 14.50. Kerb: Three months £414.00, 13.00, 12.00. Afternoon: Three months £411.00, 10.50, 11.00, 11.50, 11.00, 12.00, 13.00. Kerb: Three months £414.00, 15.00, 16.00, 17.00, 16.00, 15.00, 14.00. Turnover: 9,250 tonnes.

Aluminm	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Spot	540-1	—.5	540.5-1.5	+1
3 months	559-60	—1.25	559.5-60	......

Aluminium—Morning: Three months £558.00, 58.50, 59.00. Kerb: Three months £559.50. Afternoon: Three months £560.00, 59.00, 58.50, 60.00. Kerb: Three months £560.00. Turnover 8,400 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —†
Spot	2957-60	+15	2990-3000	+10
3 months	2955-60	+.5	2975-80	+15

* Cents per pound. ‡ M$ per kilo. † On previous unofficial close.

Nickel—Morning: Kerb: Three months £2,955, 50. Afternoon: Three months £2,970. Kerb: Three months £2,970. Turonver: 1,170 tonnes.

SILVER

Silver was fixed 4.1p an ounce lower for spot delivery in the London bullion market yesterday at 339.8p.—U.S. cent equivalents of the fixing levels were: spot 586.00c, down 10.6c; three-month 608.2c, down 11c; six-month 629.8c, down 11.4c; and 12-month 675.5c, down 11.3c. The metal opened at 339-342p (586-590c) and closed 336-339p (579-583c).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	339.80p	—4.10	330.5p	—15.8
3 months	350.00p	—4.50	340.25p	—14.2
6 months	359.60p	—4.50	—	......
12months	381.10p	—4.50	—	......

LME—Turnover: 188 (89) lots of 10,000 ozs. Morning: cash 340.0; three months 351.0, 50.5, 50.0, 49.5, 43.9, 49.5. Kerb: three months 348.5, 48.0, 47.5, 48.0, 47.8, 48.2, 48.0. Afternoon: three months 347.0, 42.0, 41.0, 40.5, 40.0. Kerb: three months 340.3, 41.0, 41.5, 42.5, 43.0.

COCOA

Futures traded sluggishingly within a narrow range. Actuals business remained scarce with both producers and consumers awaiting fresh news, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or —	Business Done
	£ per tonne		
July	995-99	+3.0	1001-995
Sept	934-35	+5.0	939-29
Dec	975-76	+6.0	979-69
March	1012-14	+6.0	1015-07
May	1034-35	+4.0	1035-28
July	1053-54	+4.0	1054-47
Sept	1070-76	+5.0	1072-71

Sales: 829 (810) lots of 10 tonnes.

ICCO—Daily price for July 6: 74.13 (73.84). Indicator price for July 7: 73.86 (74.02).

COFFEE

Trade buying in thin conditions encouraged early gains, reports Drexel Burnham Lambert. Values continued to move steadily on mixed buying. Closing prices were virtually unchanged on the day having reversed its opening prompted commission house selling.

COFFEE	Yest'day's close	+ or —	Business Done
	£ per tonne		
July	1234-40	+11.5	1244-28
Sept	1111-12	+11.0	1135-06
Nov	1050-53	+10.0	1059-23
January	1000-02	+8.0	1008-96
March	974-81	—	989-80
May	945-51	+6.0	958-47
July	935-41	+6.0	945

Sales: 2,593 (3,434) lots of 5 tonnes.

ICO Indicator prices for July 2: U.S. cents per pound: Comp daily 1979 119.74 (120.89); 15-day average 120.35 (120.54).

GRAINS

The market opened unchanged but old crop wheat made quick gains. New crop wheat continued to make gains from shipper and commercial buying, while barley traded quietly within a narrow range, Acli reports.

Mnth	WHEAT Yesterd'ys close	+ or —	BARLEY Yest'rd'ys close	+ or —
July	121.00	+1.00	—	—
Sept.	110.05	+0.20	104.70	—0.85
Nov	113.65	+0.20	108.35	—
Jan	117.45	+0.25	111.85	+0.05
Mar	120.70	+0.25	115.10	+0.05
May	124.20	+0.25	118.35	+0.05

Business done—Wheat: July 121.25-120.50, Sept 110.05-109.85, Nov 113.65-113.50, Jan 117.40-117.20, Mar 120.70-120.55, May 124.20-123.95. Sales: 508 lots of 100 tonnes. Barley: Sept 104.80-104.70, Nov 108.40-108.35, Jan 111.90-111.75, Mar 115.05 only, May 118.35-118.30. Sales: 80 lots of 100 tonnes.

HGCA—Locational ex-farm spot prices. Feed barley: S. East 100.30, W. Mids 102.60, N. West 102.90. The UK Monetary Coefficient for the week beginning Monday July 15 (based on HGCA calculations using five days exchange rates) is expected to remain unchanged.

LONDON GRAINS — U.S. Dark Northern Spring No. 1 14 per cent Aug 111.50, Sept 110.25, Oct 111.50 transhipment East Coast sellers. English Feed fob Sept 113.25, Oct/Dec 117.50. Jan/March 123 East Coast sellers. Maize: French July 136 transhipment South Coast seller. South African White/Yellow July/Aug 88.00 seller. Barley: English Feed fob Aug 104.75 South Coast, Oct/Dec 112 East Coast sellers. Rest unquoted.

RUBBER

The London physical market opened about unchanged, attracted little interest throughout the day, and closed uncertain. Lewis and Peat recorded a July fob price for No 1 RSS in Kuala Lumpur of 203.25 (198.0) cents a kg and SMR 20 175.0 (173.5).

No. 1 R.S.S.	Yest'r'ys close	Previous close	Business Done
Aug	48.10-49.80	50.40-50.70	—
Sept	50.00-50.50	51.10-51.40	—
Oct-Dec	52.20-52.40	53.60-53.70	53.00-52.10
Jan-Mar	55.20-55.30	55.80-55.90	56.90-54.50
Apl-Jne	57.70-57.80	58.30-58.50	57.80-57.50
Jly-Sept	60.40-60.70	60.90-61.00	60.00
Oct-Dec	63.20-63.30	63.80-63.80	—
J'n-Mch	65.50-65.60	65.80-66.00	65.50-65.40
Apl-Jne	67.50-68.00	68.80-69.50	—

Sales: 283 (96) lots of 15 tonnes, nil (same) lots of 5 tonnes.

Physical closing prices (buyers) were: Spot 48.50p (49.00p); Aug 51.50p (52.00p); Sept 51.50p (52.25p).

SOYABEAN MEAL

The market continued to move higher as renewed buying interest for the 1982 accounts found only scattered selling scale-up, reports C. Czarnikow. The market opened around unchanged and drifted in thin conditions, reports T. G. Roddick. Prices remained in narrow ranges with lack of any fresh news.

	Yesterday's Close	+ or —	Business Done
	£ per tonne		
August	133.00-33.8	+0.70	135.90
October	132.50-32.7	[illegible]	[illegible]
December	133.00-33.4	[illegible]	[illegible]
Feb	133.50-35.0	[illegible]	—
April	135.50-37.4	[illegible]	—

Sales: 50 (28) lots of 100 tonnes.

SOYABEAN OIL—The market opened unchanged but quiet trading and remained steady on mixed buying. Closing prices and business done (U.S. $ per tonne): Aug 485.00, 493.50; Oct 483.50, 493.50-487.00; Dec 486.00, 487.00, 487.00; Feb 493.50, 494.00, 493.50; April 501.00, 503.00, untraded; June 504.00, 520.00, untraded; Aug 508.00, 524.00, untraded. Sales: 12 (40) lots of 25 tonnes.

SUGAR

No. 4 Con-tract	Yesterday close	Previous close	Business done
	£ per tonne		
Aug	121.90-21.50	118.70-18.75	121.75-19.25
Oct	126.75-27.00	124.30-24.50	127.25-23.75
Jan	133.00-34.00	132.50-33.50	132.00
March	138.75-38.85	137.00-37.25	139.00-36.00
May	141.50-41.70	140.00-40.50	140.75-40.00
Aug	144.50-45.25	145.50-44.50	—
Oct	148.50-50.00	147.00-47.50	148.50

Sales: 4,518 (2,880) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis white sugar was £405.90 (same) a tonne for home trade and £222.50 (£219.00) for export.

International Sugar Agreement (U.S. cents per pound) fob and stowed Caribbean ports. Prices for July 2: Daily price 7.58 (7.63); 15-day average 6.86 (6.80).

LONDON DAILY PRICE—Raw sugar £116.00 (£113.00) a tonne cif July-Aug shipment. White sugar daily price £156.00 (£153.00).

WOOL FUTURES

LONDON NEW ZEALAND CROSS-BREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. Aug 369, 375, 374-370, Oct 390, 393, 391-390; Dec 399, 402, 400-399; Jan 400, 404, 402-401; Mar 412, 416, 413-411; May 423, 426, 424; Aug 435, 437, 435; Oct 437, 442, nil; Dec 440, 444, nil; Jan 440, 444, nil. Sales: 68.

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. July 540.0, 542.0, 543.0-534.0; Oct 516.0, 518.0, 515.0-514.0; Dec 517.5, 518.0, 519.0-517.0; Mar 524.0, 525.0, untraded; May 526.0, 528.0, untraded; July 537.0, 539.0, untraded; Oct 531.0, 536.0, untraded; Dec 539.5, 543.0, untraded. Sales: 68.

PRICE CHANGES

In tonnes unless otherwise stated.

	July 6 1982	+ or —	Month ago
Metals			
Aluminium	£810/815		£810/815
Free Mkt	$925/955	—10	$975/1000
Copper			
Cash h grade	£775.5	—6	£753.5
3 mths	£797.5	—5.75	£779.75
Cash Cathode	£764	—7.5	£748
3 mths	£785	—7.25	£770.75
Gold troy oz	$310.5	—4.75	$330.25
Lead Cash	£319		£297.5
3 mths	£322.25	—5.5	£304.25
Nickel	£4060		£3889
Free Mkt	335/365c		335/355c
Platin'm tr oz'y	£260		£250
Free Mkt	£154.45	—5.5	£169.55
Quicksilver†	$360/370		$365/375
Silver troy oz	339.80p	—4.1	339.80p
3 mths	350.00p	—4.5	350.25p
Tin Cash	£6616	—25	£6552
3 mths	£6740	—20	£6545
Tungsten22.6lb	$109.48	......	$111.68
Wolfrm 22.4lbs	$115/118	......	$110/115
Zinc Cash	£408.5	—2.5	£398.5
3 mths	£413	—4.5	£398.25
Producers	$800		$860/900
Oils			
Coconut (Phil)	$490v	—2.5	$505
Groundnut	$565v		‡
Linseed Crude	‡		$380
Palm Malayan	$442.5	—5	$510
Seeds			
Copra Ph lip	$325	......	$332.5
Soyabean(U.S.)	$251.5	—2.25	$260.5
Grains			
BarleyFut. Sep	£104.70	—0.05	£104.85
Maize	£136.00	—0.5	£136.00
Wheat Fut.Sep	£110.05	+0.20	£108.60
No.2HardWint	‡		‡
Other commodities			
Cocoa ship't*	£965	+5	£918
Future Sept	£934.5	+5	£917.5
Coffee Ft' Sept	£1111.5	+9	£1154.5
Cotton A.Index	78.25c		75.65c
Gas Oil Aug	$281.5	—2.25	$292.75
Rubber (kilo)	48.5p	—0.5	51p
Sugar (Raw)	£116v	+3	£103
Woolt'ps 64s kl.	398p kilo	......	397pkilo

‡ Unquoted. x Aug-Sept. u-June-July. v July-Aug. w Aug. † Per 76 lb flask. * Ghana cocoa. n Nominal.

INDICES

FINANCIAL TIMES

July 5	July 2	M'th ago	Y'ar ago
233.70	234.41	230.80	254.34

(Base: July 1 1952 = 100)

REUTERS

July 6	July 5	M'th ago	Y'ar ago
1550.4	1550.8	1517.6	1786.4

(Base: September 18 1931 = 100)

MOODY'S

July 2	July 1	M'th ago	Y'ar ago
1000.2	998.8	985.5	1166.6

(December 31 1931 = 100)

DOW JONES

Dow Jones	July 2	July 1	Month ago	Year ago
Spot	123.05	122.46	123.33	—
Futr's	128.09	123.78	125.68	—

(Base: December 31 1974 = 100)

COTTON

LIVERPOOL—No spot and shipment business was recorded. Operators were unwilling to trade and the persistent rise in prices, due to the probable crop failure in Texas, was an important aspect. Fresh dealings were rare, and demand was patchy.

POTATOES

LONDON POTATO FUTURES—The market was nervous, opening lower but recovering during the afternoon, reports Coley and Harper. Closing prices: Nov 55.90, +1.10 (high 56.20, low 53.90); Feb 61.30, +0.60 (high 62.00, low 60.00); April 68.80, +0.80 (high 69.00, low 67.00); May 77.00, +0.50 (high 77.00, low 74.40); Nov 63.50, unchanged (63.00 only). Turnover: 325 (232) lots of 40 tonnes.

HIDES—Birmingham: prices were little changed. Second clears. Ox: 31-35.5 kg, 66.4p a kg (66.3p): 26-30.5 kg, 57.6p a kg (57.1p): 22-25.5 kg, 62.2p a kg (61.0). Light cows: 25.5 kg, 62.6p a kg (62.1).

AMERICAN MARKETS

NEW YORK, July 6.

THE LIVESTOCK MARKETS were sharply lower on anticipated seasonal product weakness. Grains and soyabeans were under heavy pressure due to producer hedging and trade selling following weather improvement. Sugar prices rallied on reports of further damage to the Soviet crop. Precious metals failed to develop in Brazil. Precious metals declined sharply on arbitrage selling, reported Heinold.

Copper—July 59.00 (59.10), Aug 59.30 (59.40), Sept 60.05-60.15, Dec 61.40-62.65, Jan 63.30, March 65.15, May 66.45, July 67.95, Sept 69.45, Dec 70.70, Jan 72.45, March 73.95, May 75.45. Potatoes (round whites)—Nov 68.9 (67.0), March 77.2 (77.3), April 87.2-87.3. Sales: 52. Silver—July 583.5 (589.5), Aug 587.5 (594.0), Sept 572.0-577.0, Dec 595.0-600.0, Jan 605.9, March 618.0, May 636.7, July 652.1, Sept 667.5, Dec 690.7, Jan 698.4, March 713.8, May 744.0. Handy and Harman bullion spot: 576.00 (594.00).

Sugar—No. 11: Sept 8.45-8.47 (8.24), Oct 8.56-8.62 (8.37), Jan 8.80-9.00, March 9.56-9.59, May 9.80-9.83, July 10.02-10.03, Sept 10.20-10.25, Oct 10.35. Sales: 6,358.

Tin—531.00-536.00 (539.00-545.00).

CHICAGO, July 6

Lard—Chicago loose 21.00 (same).

Live Cattle—Aug 63.35-63.20 (63.22), Oct 60.02-59.97 (60.65), Dec 60.85-60.90, Feb 60.45-60.55, April 60.40-60.25, June 61.80-61.65.

Live Hogs—July 60.05-60.20 (60.02), Aug 57.80-57.85 (58.60), Oct 55.20-54.95, Dec 55.10-55.20, Feb 53.90-53.70, April 50.00, June 51.40, July 51.10, Aug 49.10.

‡‡Maize—July 260¼-261 (264¾), Sept 262-262½ (264¾), Dec 263½-264, March 277½-277¾, May 285½-285¾, July 291½.

Pork Bellies—July 76.55-76.45 (78.12), Aug 73.57 (75.57), Feb 72.10, March 72.15, May 70.50, July 71.00, Aug 70.40.

‡Soyabeans—July 603¼-603¾ (607½), Aug 605¾ (611¼), Sept 606¾, Nov 610-611, Jan 624½-624¾, March 641, May 654¼, July 665¼.

‖Soyabean Meal—July 175.6-175.9 (177.3), Aug 175.5-176.2 (177.5), Sept 175.5-176.7, Oct 177.0, Dec 181.0, Jan 183.5, Mar 188.1, May 193.0-193.5, July 197.0-198.0.

Soyabean Oil—July 18.22-18.21 (18.39), Aug 18.34-18.35 (18.54), Sept 18.50, Oct 18.65, Dec 19.00-18.98, Jan 19.21-19.25, Mar 19.56-19.58, May 19.75-19.85, July 19.90-20.00.

†Wheat—July 339¾ (350), Sept 352-351 (362), Dec 372-371, Mar 384¼-384½, May 393¾, July 397¾.

WINNIPEG, July 6. §Barley—July 122.6 (122.8), Oct 120.7 (121.6), Dec [illegible], Mar 125.8, May 127.5.

*Gold—July 309.1 (312.5), Aug 311.2-311.8 (315.0), Sept 315.1, Oct 318.3-319.0, Dec 325.5-326.3, Feb 333.8-334.0, April 340.0, June 348.0, Aug 356.5, Oct 364.4, Dec 372.4, Feb 380.4, April 389.0.

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. ‖ $ per short ton (2,000 lb). § $Can. per metric ton. §§ $ per 1,000 sq ft. ‡ Cents per dozen. †† $ per metric ton.

EUROPEAN MARKETS

ROTTERDAM, July 6.

Wheat—(U.S. $ per tonne): U.S. No Two Red Winter July 151. U.S. No Three Amber Durum July 173.50, Aug 176, Sept 179, Oct 183, Nov 186. U.S. No Two Northern Spring 14 per cent July 177.50, Aug 174.50, Sept 175, Oct 177, Nov 179.50. Canadian Western Red Spring afloat 193, Sept 198, Oct 201, Nov 206.

Maize—(U.S. $ per tonne): U.S. No Three Yellow spot 124.50, afloat 123, July 121.75, Aug 122.50, Sept 122.50, Oct/Dec 121.50, Jan/Mar 130 sellers.

Soyabeans—(U.S. $ per tonne): U.S. Two Yellow Gulfports afloat 243.50, July 245.50, Aug 246.50, Sept 247.75, Oct 243, Nov 243, Dec 248, Jan 254, Feb 258, Mar 262, April 265 sellers.

Soyameal—(U.S. $ per tonne): 44 per cent afloat 203 traded: afloat 204, July 212, Aug 214, Sept 215.50, Oct 216, Nov/Mar 224 sellers. Pellets Brazil afloat 215, July 215, Aug 219, Sept 222, Oct 228, Nov/Mar 243 sellers.

PARIS, July 6.

Cocoa—(FFr per 100 kilos): July 1020-1060, Sept 1107-1113, Dec 1150-1164, March 1195-1205, May 1240-1250, July 1280-1295, Sept 1310-1320. Sales at call: nil.

Sugar—(FFr per tonne): Aug 1875-1878, Oct 1740-1745, Nov 1730-1740, Dec 1680-1685, March 1750-1755, May 1780-1800, July 1815-1830, Aug 1835-1840. Sales at call: 2.

MEAT/FISH

SMITHFIELD—Pence per pound. Beef: Scotch killed sides 78.0 to 84.0; Ulster hindquarters 98.3 to 99.7, forequarters 59.5 to 61.0. Veal: Dutch hinds and ends 121.5 to 126.5. Lamb: English small 70.7 to 75.3, medium 69.0 to 72.0, heavy 64.0 to 68.0; Imports—New Zealand PL 62.5 to 63.7, PM 61.5 to 62.5, PX 59.3 to 60.3, YL 61.0 to 62.0. Pork: English, under 100 lb 38.0 to 54.0, 100-120 lb 43.0 to 52.5, 120-160 lb 42.0 to 50.1.

— No. 7 —

MEAT COMMISSION—Average Fatstock prices at representative markets. GB—Cattle 101.41p per kg lw (+0.48). GB—Sheep 148.49p per kg est dcw (—16.72). GB—Pigs 74.48p per kg lw (+1.47).

★

GRIMSBY FISH—Supply good, demand good. Prices at ship's side (unprocessed) per stone: shelf cod £4.00-£4.30, codlings £3.20-£3.80; large haddock £3.20-£3.80, medium £2.60-£4.20, small £1.80-£2.60; large plaice £6.50, medium £5.50-£6.50, best small £3.00-£4.00; skinned dogfish (large) £9.00, (medium) £7.50-£8.00; lemon soles (large) £8.00, (medium) £7.00; rockfish £1.80-£3.00; saithe £1.20-£2.90.

★

English Produce: Potatoes—Per pound new 0.05-0.06. Mushrooms—Per pound, open 0.30-0.50, closed 0.50-0.70. Lettuce—Per 12, round 0.80-1.40, Webb's 1.20-2.00, Cos 1.20-2.00. Onions—Per 55lb 40/80mm 3.00-4.00. Spring Onions—Per bunch 0.08. Primo Cabbage—Per 25lb 1.00-1.40. Carrots—Per 28/28lb 3.00-3.80, per bunch 0.12. Rhubarb—Per pound, outdoor 0.08-0.10. Courgettes—Per 12lb 1.50-2.40. Cucumbers—Per package 1.60-2.40. Tomatoes—Per 12lb box d/E 2.00-2.50. Cauliflowers—Per 12 Lincoln 3.00-4.50. Celery—Per 12/30 2.00-3.00. Broad Beans—Per pound 0.05-0.10. Marrows—Each 0.15-0.20. Sugar Peas—Per pound 0.80-0.90. Peas—Per pound 0.10-0.13. Turnips—Per 28lb 2.40. Runner Beans—Per pound 0.50-0.80. Apples—Per pound, Bramley 0.30-0.38, Grenadiers 0.30. Strawberries—Per 8oz 0.25-0.40. Raspberries—Per 8oz pack 0.10-0.20. Gooseberries—Per pound 0.20; Levellers per pound 0.25-0.50. Cherries—Per pound 0.25-0.50. Redcurrants—Per 8oz 0.25. Blackcurrants—Per 8oz 0.30.

COVENT GARDEN — Prices for the bulk of produce, in sterling per package except where otherwise stated. Imported Produce: Oranges—Jaffa: 20-kg Valencia Lates 56/60/75 6.25, 88 5.85, 105 5.90, 123 5.05, 144 4.60, 168 4.50: Moroccan: 15-kg Valencia Lates 48/113 3.80-5.80: Outspan: Navels 40 5.50, 48 5.70, 56 6.35, 72 6.25, 88 5.60, 112 5.20, 138 4.85, 150 3.90. Lemons—Spania: trays 5-kg 40/50 1.60-2.00: Outspan: 15½-kg 80/180 5.00-6.50. Grapefruit—Jaffa: 20-kg 27 4.25, 32 4.45, 36 4.65, 40 4.90, 48 5.40, 56 5.35, 64 5.15, 75 4.95, 88 4.00: S. African: 27 4.60, 32 5.25, 36 6.25, 40 5.25, 48 5.40, 56 5.35, 64 4.65, 72 4.35—Ruby same as White. Apples—French: Golden Delicious 18-kg 8.00-10.00: Tasmanian: Jonathan 11.00, Granny Smith 10.00-10.50, Sturmer Pippins 10.50-11.00; Australian: Granny Smith 10.00-11.00; New Zealand: Granny Smith 10.00-11.00, Sturmers 11.00-11.50; Red Doherty 12.00-13.00; S. African: Granny Smith 10.00-11.00, Golden Delicious 12.00-12.80, Starkcrimson 8.00-10.50; York Imperials 9.00-11.00; U.S.: 18-kg Red Delicious 9.00-12.00. Pears—Spanish: Mauratini per lb 0.30; Australian: Winter Nelis 12.50-14.50, Packhams 16.00. Peaches—Italian: large trays 2.50-6.00; Standard 2.25-3.00; French: A/AAA 3.50-4.50. PLUMS—Italian: Florence per lb 0.20-0.25; Spanish: 11-lb Santa Rosa 0.22-0.50; Japanese 11-lb, per lb 0.12-0.20, Gaviotta 0.40-0.55. Grapes—Israeli: Perlette 5.40; Thompson 6.00; Chilean: 5-kg Almeria 6.00, Ribier 6.80-7.00, Red Emperor 5.20-5.40; Cyprus: 5-kg Cardinal 6.00-6.60. Cherries—Italian: Per lb 0.40-0.70; Turkish: 0.50-0.60; U.S.: 0.85. Apricots—Spanish: 5-kg 2.50-3.50. Nectarines—Italian: large trays 4.50-8.50; U.S.: 60/64 14.00-15.00; French: 3.50-5.50; Spanish: 3.00-5.00.

INTERNATIONAL COMPANIES and FINANCE

EIB issues $100m bond despite market resistance

BY ALAN FRIEDMAN

THE European Investment Bank (EIB) has managed to launch a $100m 10-year Eurodollar bond despite market resistance. The bonds carry a 15¾ per cent coupon at 99¼, suggesting an issue price yield of 15.65 per cent.

At Union Bank of Switzerland Securities, the London lead-manager, Mr Armin Mattle said a number of major Eurobond houses had declined to participate. The offer to participate was made through a syndication technique viewed as slightly unusual by many in the market.

An invitation went out by telex to bond houses yesterday morning, offering three brackets of co-management—the houses could participate with a $7.5m, $5m, or a $2.5m stake. The UBS telex also stated that the deal could be as much as $200m, but would be scrapped if there were not enough takers to make up $100m. A deadline of 2 o'clock was set for replies from potential co-managers.

Nearly all the major London-based Eurobond houses declined to participate, citing similar reasons. Some bankers said the terms were somewhat aggressive, others criticised the timing of the issue (given the lacklustre market) and others said they were reluctant to join an EIB deal despite the borrower's Triple A rating.

This last objection was explained by a major Eurobond institutional investor who was consulted about the issue: "I don't think the EIB is a very welcome borrower at this time. Today you've got to be a little bit special and there is nothing outstanding about the offer."

Mr Mattle, of UBS Securities, confirmed that "a lot of the more prominent names in the market are missing." There were 19 co-managers in the deal, many of them smaller European houses or Japanese and Gulf houses. "If people did not participate it was because they felt there was no momentum in the market and they were reluctant to make an effort for the EIB," says Mr Mattle.

Although there is nothing wrong with the borrower—EIB remains a quality name—market sentiment is not in its favour. The EIB is not viewed as generous with its terms, and some market participants claim that many investors' portfolios are already amply stocked with EIB paper.

The EIB's 16¾ per cent 1991 seasoned bonds yesterday traded at a middle price of 103¾, suggesting a yield of 15.92 per cent.

Prices of Eurodollar bonds closed roughly unchanged last night after a day of quiet trading. The market was firm in the morning, but drifted later on after the New York Treasury bond market opened weaker.

In the D-Mark sector prices closed down ⅛ to ¼ point on low volume. The DM 100m five-year 9½ per cent New Zealand issue has done well and was priced ahead of schedule yesterday at 100¼.

In Switzerland prices were unchanged on average in moderate trading. Natomas's SwFr 75m 8-year issue, the first public issue of this maturity, was priced at 7¼ per cent and 99¼ to yield 7.59 per cent.

A & P back in the black

By Our Financial Staff

GREAT ATLANTIC & Pacific Tea Company (A & P), the U.S. grocery store chain, has reported profits of $8.5m (23 cents per share) for the first quarter covering 16 weeks to June 19, on sales of $1.4bn. For the first 13 weeks of last year, the group lost $10.3bn (28 cents per share) on sales of $1.7bn.

The first quarter figures, showing the first profits A & P has earned since 1977, appear to be the result of the sweeping programme of cost-cutting.

Nearly 400 unprofitable supermarkets have been shut down or sold.

LuxFr 1.5bn loan package

BY PETER MONTAGNON, EUROMARKET CORRESPONDENT

GAZ DE FRANCE is raising LuxFr 1.5bn in the Euromarket, as the popularity of credits denominated in the Luxembourg currency grows.

The credit is in two equal tranches of LuxFr 750m. One is a six-year loan bearing interest at a fixed rate of 14⅛ per cent, while the other is a seven-year roll-over credit at a margin of ⅜ per cent over the one, three or six-month deposit rate for Luxembourg francs.

This package, which is led by Banque de Paris et des Pays-Bas pour le Grand-Duche de Luxembourg and Banque Continentale de Luxembourg may be increased because of strong demand.

Bankers in Luxembourg point to a growing attraction of deals denominated in the Grand Duchy currency because of fears of a possible split between the Luxembourg and Belgian francs.

Such a split is now considered unlikely, but banks are still keen to avail themselves of opportunities for local currency lending to protect themselves against exchange losses in the event of a currency split at a later stage. The insurance value of such business is such that the flow of Eurocredits in Luxembourg francs is likely to increase, many bankers believe.

Brewers link to fight off Jacobs

By Richard Lambert in New York

PABST BREWING and Olympia Brewing have agreed on an ingenious and highly complicated merger deal which is designed to defeat the plans of a dissident investor to secure control of Pabst and strip out its assets.

Olympia, which is already subject to an agreed takeover bid by Pabst, announced yesterday that it was making a cash offer worth around $100m for 49 per cent of Pabst at $25 a share. In effect, the merged group is buying in its own shares in such a way as to lock out Mr Irwin Jacobs, who already owns around 16 per cent of Pabst and has offered $22 a share for the rest.

Under the merger scheme, Pabst is offering cash for 49 per cent of Olympia and common stock in the new merged company for the remaining 51 per cent. Olympia is offering cash for 49 per cent of Pabst and the remaining Pabst shares will be exchanged for convertible preferred shares in the new company. These will be worth around $18 a share and will not carry votes until they are converted.

At that point, Pabst shareholders will control roughly 70 per cent of the merged company and Olympia shareholders will control the rest.

The idea is that Mr Jacobs will either take cash for his Pabst shares and go away, or be left with the preferred. If he decides to convert preferred stock into ordinary shares, he will be obliged to buy in all the other preferred shares before he can get at the underlying assets. And that, Pabst's advisers say, will take away all the profit that might be realised by liquidating the company.

Lehman Brothers, Kuhn Loeb, which is advising Pabst, claimed yesterday that this was the first scheme of its kind. The two brewers had been overcapitalised prior to the merger, Lehman said: after the deal, which was a "fait accompli," the enlarged company would be left with some $150m of debt and $160m of stockholders' funds.

By rationalising the two companies' production and marketing facilities, it would be possible significantly to improve shareholders' returns on the reduced equity, Lehman added.

Amca bids $262.5m for Giddings

By Our Financial Staff

AMCA INTERNATIONAL, a diversified industrial company formerly known as Dominion Bridge and the Canadian Pacific group's fastest-growing affiliate over the past five years, has made an unsolicited takeover bid worth U.S.$262.5m for Giddings and Lewis, a machine tool group based in Fond du Lac, Wisconsin.

The bid—$25 cash for each Giddings common share—is Amca's second attempt to take over a machine tool company: in 1980 it sought to acquire Warner and Swasey Company but lost out to a rival offer by Bendix Corporation, the large diversified U.S. group whose major activities cover the automotive, aerospace and industrial markets.

Giddings' directors were unavailable for comment on the Amca offer, for which Lazard Freres is dealer-manager.

Amca, which currently owns 4.7 per cent of Giddings' 10.5m common shares, earned $70.2m or $2.56 a share on revenues of $1.57bn in 1981.

Net earnings of Giddings reached a record $35.2m or $3.35 a share for 1981, on revenues of $393m.

Giddings' stock closed on Friday on the New York Stock Exchange at $12.75.

Uruguay to raise $130m

By Our Euromarkets Correspondent

URUGUAY is raising a $130m, one-year credit in the Euromarket to help refinance the debt of its hydroelectric project Comision Tecnica Mixta del Palmar.

The loan, which is being handled on a "club" basis by Crocker National Bank, represents a cautious resumption of borrowing by Uruguay, which was effectively frozen out of the market by the Falklands crisis.

Although it matures in one year, the credit can be extended on an annual basis for a maximum of three years. Each time it is extended the borrower will pay a ⅛ per cent extension fee, while the basic margin over eurodollar rates is 1 per cent.

Uruguay's economy is heavily intertwined with that of neighbouring Argentina and it was one of the first casualties of the general contraction of lending to Latin America in the wake of the Falklands crisis.

Rather than force its borrowing, Uruguay chose to refinance its maturing debt on a short term basis in the hope that the market for medium term credits would eventually reopen.

Uruguay's total foreign debt amounts to some $3.1bn, of which roughly $1.5bn is public sector debt.

CONTINENTAL ILLINOIS WARNS OF LOSS

Government closes Oklahoma bank

BY DAVID LASCELLES IN NEW YORK

SEVERAL MAJOR U.S. banks stand to suffer losses from the closure yesterday of a relatively small bank in Oklahoma which went into receivership after its energy lending business collapsed, sending more ripples through the already edgy U.S. financial community.

Continental Illinois, the sixth largest U.S. bank and the one believed to have the largest exposure, announced that the closure would oblige it to report a loss for the second quarter of this year, though it gave no details.

The Penn Square Bank of Oklahoma City was taken over by Federal banking officials yesterday after several days of speculation about its soundness. The Office of the Comptroller of the Currency said the bank had made large losses on its energy loans and had encountered funding problems. The bank has about $460m in deposits and 28,000 accounts.

The failure marks one of the most serious collapses in the commercial banking industry in the most recent financial squeeze. Several savings banks have failed, but their problems are of a different order.

Although the bank is relatively small, its failure will affect other banks in two ways. Some large banks are believed to have lent it money. Potentially more serious, Penn Square Bank had put together hundreds of millions of dollars' worth of energy loans and sold them off to large banks for a fee, a practice known as loan participation.

If these energy loans go bad, as appears to have been the case, the loss is borne by the bank which bought the participation.

Although the type and extent of other bank's exposure was not revealed yesterday, banking sources said Penn Square had sold about $2bn worth of participations. The largest share is believed to be held by Continental Illinois, which is based in Chicago and had been aggressively expanding its energy lending.

In a prepared statement, the Chicago bank said that it had examined its loans and had found it necessary to make "a large extraordinary addition to our provision for loan losses" which would force it into the red for the quarter which ended last Wednesday. But the bank said it would still make a profit for the first half of the year, including the first quarter's earnings of $68.6m.

Chase Manhattan Bank of New York also confirmed that it was exposed to Penn Square's failure but claimed losses would not be a significant problem. Chase's second quarter earnings have already been wiped out by its $117m after-tax loss on the Drysdale Government Securities affair.

Other banks exposed to Penn Square include Seafirst, the largest bank in Seattle, and banks in Chicago and Michigan. None had any immediate comment yesterday.

Penn Square appears to have been a victim of the sharp decline in energy prices which has thrown the U.S. oil patch's energy boom into reverse and caused widespread failures. Concern for the security of energy-lending banks has been expressed for some months now. Penn Square is believed to have placed more than three-quarters of its loan portfolio in oil and gas.

Its failure also adds to the growing unease of the U.S. financial community which has been shaken by the Drysdale affair and problems at other financial institutions caused by a combination of record high interest rates and economic recession.

Braniff outlines debt problems

BY TERRY BYLAND IN NEW YORK

BRANIFF INTERNATIONAL has made a regulatory filing of loability and asset schedules with a Federal bankruptcy court in Fort Worth, Texas, confirming that unsecured creditors face substantial losses if its reorganisation plan fail to gain acceptance.

The big test of this plan will come in 15 to 30 days, when Braniff Airlines, the main operating subsidiary, makes its regulator yfiling.

Braniff International's filing concerns the elimination of debts at Braniff Realty, a wholly owned subsidiary holding real estate interests in Dallas, cargo facilities at St Paul, Minnesota, and title to seven Boeing 727 and two McDonnell Douglas DC8 aircraft.

Braniff Realty owes $16.8m in secured debt to a group of five banks. Braniff International plans to clear Realty's debt by handing over to the banking group a $14m promisory note plus accrued interest of $5.9m.

This would wipe out Realty's secured debt, but the plan also alows for full repayment of unsecured debt of $144,000 due mostly to minor trade creditors.

While the unsecured debts of Realty are relatively insignificant, the principle involved is important for the unsecured creditors of Braniff International, which include such names as Boeing, holding debt of $93m, and UT Credit, a United Technologies subsidiary with $7.5m debt.

The Federal bankruptcy court will rule on the Realty plan within 30 days. Neither Boeing nor UT Credit would comment yesterday.

The plan indicates afresh that payments to unsecured creditors hinge on Braniff's efforts to reorganise its operations and avoid final bankruptcy.

U.S. insurers agree to merge

By Our New York Staff

THE DRAWN-OUT bid battle between American General and NLT—in which both companies were bidding for each other—ended peacefully yesterday when the two sides agreed to a merger valued at roughly $1.5bn. The deal will create the fourth largest shareholder-owned insurance company in the U.S., and the eighth largest diversified financial company.

American General, which started the bidding in April, emerges as top company under yesterday's agreement. It is offering $46 a share in cash for some 15m NLT shares, and a mixture of fixed income and equity securities — also worth $46 a share — for the rest.

Five NLT directors will be appointed

The deal is subject to the approval of both sets of shareholders, as well as state insurance commissioners, the Federal Communications Commission and the Federal Home Loan Bank Board.

Apart from its insurance interests, American General has a wide range of financial service activities. Its shareholders' equity amounts to $1.2bn. NLT's main business is life and health insurance, and its shareholders' equity totals $1.3bn.

Airlines in lending agreement

BY OUR NEW YORK STAFF

CONTINENTAL Air Lines and Texas International Airlines agreed in principle with their major bank lenders and most oter institutional lenders to restructure $295m of long-term debt. Final ratification by shareholders of the merger beween the two companies is expected in two weeks.

The agreement will free Continental, which is 51 per cent owned by Texas Air, parent of Texas International, from continuing with month-by-month amendments to its debt schedules. Mr Frank Lorenzo, chairman of Continental and president of Texas Air, described teh agreements as "an important part" of the plans to bring both companies back to profitability.

Continental said its cash position has been improving since the year end.

Re-organisation of the schedules of the two companies has trebled the number of available connections through Houston

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Tuesday July 13. Closing prices on July 6

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aetna Life 15 89/87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amax Int. Fin. 16½ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Average price changes... On day [illegible] on week [illegible]						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Average price changes... On day [illegible] on week [illegible]						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Average price changes... On day [illegible] on week [illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
EIB 8⅝ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Average price changes... On day [illegible] on week [illegible]						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 16 89 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 9⅝ 88 LuxFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish 5¼ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15.97
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Average price changes... On day 0 on week +0⅛						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5¼ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.82
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Companies and Markets

INTERNATIONAL COMPANIES and FINANCE

Fiat continues on the road to recovery

BY RUPERT CORNWELL IN TURIN

FIAT, ITALY'S biggest motor company, is expecting "modest" overall profits for 1982.

The outcome should be similar to last year when consolidated earnings are likely to have been about L50bn to L60bn ($43m), said Sig Giovanni Agnelli, chairman, yesterday.

This was a small figure when compared with Fiat's sales and the volume of its employed assets, he said after the annual meeting.

But a second successive year in the black will be further evidence of the Turin-based group's recovery from 1980, when its total losses reached L240bn.

Details of the 1981 results will not be known until September, when the group presents its first consolidated accounts, which will be drawn up by Arthur Andersen, accountants, and will cover 450 companies operating in 60 countries.

On a properly consilidated basis, turnoverr will drop to L20,000bn from the previously announced L22,000bn, as a result of the exclusion of certain associated companies less than 51 per cent controlled by Fiat, above all in the civil engineering sector.

Group investments of L1,000bn last year were entirely self-financed, Sig Agnelli said. Overall debt was little changed at L7,000bn notwithstanding the advance in turnover from 1980's estimated L16,500bn on a consolidated basis.

Sig Agnelli was confident that the group — after its recent streamlining and productivity gains—would be able to weather successfully the present slump in world car markets. A recovery, he indicated, was unlikely before next year at the earliest.

Fiat had completed its retrenchment programme of disposing of loss-making sectors with last month's surrender of control of Sevel, its troubled Argentinian car affiliate, and the agreement (still not ratified) to transfer much of its Teksid steel division to the state-owned Finsider concern.

There were no plans for a rise in capital of Fiat SpA, the group holding company, from its present level of L337.5bn. Total debt stood at the reasonable level of about one-third of total turnover, Sig Agnelli said.

He did not comment on the recent withdrawal by both private and public employers in Italy from their 1975 agreement with the unions on wage indexation — an issue which threatens the survival of the one-year-old coalition Government headed by Sig Giovanni Spadolini. Both sides still had six months to reach a substitute agreement, and there was no reason why they should not do this, said Sig Agnelli.

Shareholders yesterday approved Fiat SpA's 1981 net profit of L97bn, up from L51bn in 1980. As previously announced, the 1981 dividend is being increased to L140 per share from L125 the year before.

Sig Giovanni Agnelli, chairman of Fiat

Big loss for Kleber despite cash injection

By Terry Dodsworth in Paris

KLEBER - COLOMBES, the troubled French tyre company, lost FFr 288m ($42m) last year despite efforts to trim costs and the injection of substantial new funds by Michelin, its main shareholder. This compares with a loss of FFr 79m in 1980.

The company partly blames the heavy criticism brought to bear on one of its products by a French consumer association for the continuing poor performance in 1981. But the losses also reflect the slump in the French motor industry last year, which led to consolidated losses of FFr 290m at Michelin, the country's leading tyre manufacturer.

Last year's crisis at Kleber, the culmination of years of unprofitable operations and abrtive attempts to try to find a stronger partner, finally led to the takeover by Michelin. The larger group subscribed FFr 505m of new capital through a rights issue which left it in control.

Michelin has since drawn up a rescue plan which envisages the injection of further funds both by the parent company and the State.

A total of FFr 600m is involved, of which half will come from the tyre group in capital increases of FFr 100m spread over the three years up to 1984. These sums are to be matched by Government aids and loans which will also be made over to Kleber.

The overall aim of the reorganisation plan, which involves reducing the company's 8,000 workforce by about 2,000, is to pull Kleber back into profits by 1985.

● Transactions at the Bourse were halted shortly after the opening yesterday as owners of small and medium sized businesses protested against recent Government policies, writes our financial staff. The demonstrators said they were angered by the Government's decision to freeze prices and wages over the next four months.

Chiu family in Far East reorganisation

BY ROBERT COTTRELL IN HONG KONG

FAR EAST Consortium, the diversified Hong Kong group controlled by the Chiu family, plans to concentrate its interests in property investment and development.

Certain financial, property and flour-milling interests held by FEC will be injected into a subsidiary, Cheong Sun Developments, which will in turn sell property to FEC. The Chiu family will then buy from FEC its 93 per cent interest in Cheong Sun, but with the intention of substantially broadening Cheong Sun's shareholding base over the next six months. The deal does not affect the Chiu family's other quoted vehicle, Far East Hotels and Entertainment.

Details of the re-organisation are:

● Cheong Sun will sell to FEC a package of property and property interests for HK$161.6m (U.S.$27.3m) cash,

● FEC will sell to Cheong Sun a 37 per cent interest in Madison Securities, for HK$88.3m cash on deferred terms. FEC will also grant Cheong Sun an option to purchase 100m deferred shares in Madison at HK$1 each.

● FEC will also sell to Cheong Sun the capital of Far East Flour Mills for HK$11.8m cash.

● The Chiu family will transfer into Cheong Sun a 36 per cent interest in FEC, in exchange for which the family will receive 39.65m new shares in Cheong Sun, valuing the FEC holding at HK$237.9m.

● The Chiu family will buy from FEC its 93 per cent interest in Cheong Sun at HK$6 per share. The total consideration of HK$202.8m will be met with HK$38.8m cash and the repayment of HK$164m owed by FEC to the Chiu family.

The effect of the reorganisation will be to give the Chiu family 98 per cent of Cheong Sun. Cheong Sun will in turn hold 36 per cent of FEC, and 37 per cent of Madison. Exercise of its deferred share option would take FEC's Madison holding up to 43 per cent.

The Hong Kong takeover code normally requires a full bid where more than 35 per cent of a company is acquired by one party. The takeover committee has, however, waived this obligation where it would have arisen during the reorganisation.

The Chiu family will, however, offer to buy any outstanding Cheong Sun shares through the market at HK$6 each, for two weeks following completion of its proposals. It then plans a gradual reduction of its Cheong Sun holding, and hopes to see the shares more actively traded.

CGE increases consolidated profits by 5%

By Our Paris Staff

COMPAGNIE Generale d'Electricite (CGE), the recently-nationalised French electrical and engineering conglomerate, increased its consolidated profits by 5 per cent to FFr 586m ($86m) last year.

The results would have been substantially higher without a special charge against profits of FFr 72m made for the newly-introduced fifth week of paid holidays, said the group.

Also excluded from the profits figure is a net FFr 55.5m realised on asset sales, compared with FFr 61m in 1980. Cash flow amounted to FFr 2.2bn against FFr 2.1bn.

CGE's profits are the highest to have been declared for 1981 by any of the five industrial groups nationalised under the Government programme which came into force this spring. Saint-Gobain, the glass and pipe manufacturing group, made profits of FFr 450m, but the other three — Rhone-Poulenc, Thomson-Brandt and Pechiney-Ugine-Kuhlmann, all made losses.

Sales at CGE, however, went up by much more than profits, reaching FFr 56.3bn, an increase of 23 per cent.

Finnish insurance group improves net surplus

BY OUR FINANCIAL STAFF

POHJOLA, the Finnish insurance group, reports another year of steady progress with the net surplus for 1981 improving to FM 20.2m ($4.3m) from FM 18.7m in 1980.

Premium income is 15 per cent higher at FM 1.42bn and investment income has been almost as buoyant—rising by 13 per cent to FM 271m. But claims experience worsened, and operating expenses jumped by nearly a sixth.

Non-life premiums performed better than the average for the Finnish insurance industry helped by Pohjola's range of jubilee year special rating offers. Life insurance business ran ahead of the inflation and therefore "indicated real growth."

Claims grew at a faster rate than premiums and as a result "profitability deteriorated somewhat." Nominally, however, the group companies achieved a result equal to that of 1980, the company says

Last year's increases in operating expenses stemmed largely from staff costs which in turn were hampered by a strike lasting several weeks. At December 31, the group balance sheet totalled FM 4.6bn, against FM 4.1bn a year earlier.

Dynamit Nobel expects to return to the black

BY OUR FINANCIAL STAFF

DYNAMIT NOBEL, the West German chemicals and explosives group which is part of the Flick industrial empire, expects a recovery for 1982 following losses in 1981.

Last year Flick was forced to absorb a loss of DM 38.5m ($16m) by Dynamit Nobel, which in 1980 did not pay a dividend to its parent company. However, for 1982 Dynamit Nobel says earnings will be such that Flick will not be compelled to absorb further losses.

Flick, which is one of the biggest family businesses in Germany, has interests ranging from armaments to paper products.

● German Texaco's 1982 first half losses in the oil business are too big to be offset by profits in other areas, Mr Armin Schram, managing board chairman told a shareholders meeting. He declined to make an earnings forecast for the full year.

The company reported 1981 net profits of DM 165m ($68m) down from DM 207.3m a year earlier. The result was achieved on revenues of DM 10.9bn, up from DM 9bn in 1980.

INTERNATIONAL APPOINTMENTS

President for Dunlop U.S. company

● **Mr Brian Simpson**, who for the past 18 months has been director, Dunlopillo Europe, for Dunlop Limited, relinquishes this appointment in July to become president of DUNLOP SPORTS COMPANY, U.S. Mr Simpson was made general manager of Dunlopillo industrial division in 1974. In 1978 he took responsibility for both retail and industrial operations on his appointments as general manager, Dunlopillo UK. He became director, Dunlopillo Europe at the end of 1980 when a new structure gave him overall responsibility for co-ordinating Dunlopillo operations throughout Europe.

● CHROMALLOY AMERICAN CORP ST LOUIS, has appointed Mr William B. Stevens as president and Mr Norman E. Alexander was named chief executive officer, following the retirement of Mr Frank P. Nykiel from both positions. Mr Stevens will continue in his current post of chief operating officer and Mr Alexander will remain chairman. The appointments are from July 1.

● **Mr William Finlay** will complete his term of office as Governor of BANK OF IRELAND on July 31. He will continue to be a director of the Bank. His successor as Governor, for a term of three years, will be **Dr D. S. A. Carroll**, who has been appointed a Deputy Governor in addition to **Mr Robert C. Lewis-Crosby**. Dr Carroll was formerly Governor of the Bank from 1964 to 1970.

● **Mr Marc Henrion** has been named executive vice-president wine production of THE SEAGRAM CO., Montreal. Mr Henrion, who is president of Seagram European Wine Operations, will continue to supervise directly Seagram wineries in Italy, Spain, Portugal and France and will remain president of Barton and Guestier, a Seagram subsidiary which is France's largest wine exporter. Mr Henrion will continue to be based in Paris.

● THE EL PASO CO., Houston, has appointed **Mr D. W. Cowan, Mr M. C. Holland, Mr D. J. MacIver, Mr James Malone, Mr R. A. Montgomery** and **Mr J. T. Thompson** have been elected vice-presidents of El Paso Natural Gas Company, its natural gas transmission subsidiary.

● **Mr Jac Holzman**, senior consultant to Warner Communications Inc, has been elected chairman of PANAVISION INC, a subsidiary.

● **Mr Gary L. Failor**, seaport director for the Toledo-Lucas County Port Authority, has been elected to a one-year term as president of the International Association of Great Lakes Ports (IAGLP).

● GUINNESS, MAHON & CO. has appointed **Mr Sharyar Aziz** a director. He was formerly of First Boston Corporation of New York and Project Finance UK and has joined Guinness Mahon to head a new subsidiary in the U.S., Guinness Mahon Inc.

● From July 1 **Mr Alexander Rintoul** has been appointed representative, Sydney office, for NORDIC BANK, Nordfinanz-Bank, Zurich, Copenhagen Handelsbank, Den norsk Creditbank, Kansallis - Osake - Pankki and Svensa Handelsbanken. Before joining Nordic Bank Mr Rintoul was assistant director at Amex Bank, London. From September **Mr Haakon Sveaas** will be appointed assistant representative, Sydney office, with particular responsibilities for relationships with Nordic companies in Australia and New Zealand. He was previously Nordic Bank's regional manager, Asia Pacific, in London, and has spent several years in the bank's offices in Hong Kong and Singapore.

Bernard Simon on how a home loan movement is bearing up under pressure

South African building societies hit back

SOUTH AFRICA'S 10 building societies are reeling from a series of blows which they are unlikely to survive in their present form. They have emerged as the main victims of a near revolution in the country's financial markets over the past three years. This is the result of government policies which have made the cost of money increasingly volatile and have sharpened competition for deposits. The rate on one-year deposits, for instance, has jumped from 9 per cent to 16 per cent in the past 18 months.

The societies are also under the scrutiny of two official commissions, and the eventual ways in which they will conduct their business will not be known until these publish their reports, probably in the next nine months. The de Kock Commission is reviewing the South African financial system in general, and the du Plessis Commission more specifically the work of the societies.

The societies have mounted a vigorous campaign to convince their critics that they are still a force to be reckoned with, both as providers of home finance and as a secure and convenient haven for investments. A regular newsletter is the latest tactic in their public relations effort.

The South African building society movement is the world's fifth largest, after the U.S., Britain, West Germany and Brazil. Assets totalled R14bn ($12.9bn) at the end of March, and the societies provide 80 per cent of the finance for purchases of new homes. Their 4,600 branches and agencies attract more than 40 per cent of the public's savings in non-government institutions.

The sharper swings in interest rates have arisen from the Government loosening controls on them, as part of its efforts to make the economy more responsive to market forces. At the same time, stiffer competition between deposit-taking institutions, notably banks and building societies, has arisen from more restrictive monetary policies.

Building societies are fighting under a handicap. The politically sensitive mortgage rate has been kept well below other lending rates. It currently ranges between 13.25 per cent and 15.75 per cent, depending on the size of the bond, compared with banks' prime overdraft rate of 20 per cent.

The Allied Building Society, South Africa's second largest, at present collects a mean rate of 14.2 per cent

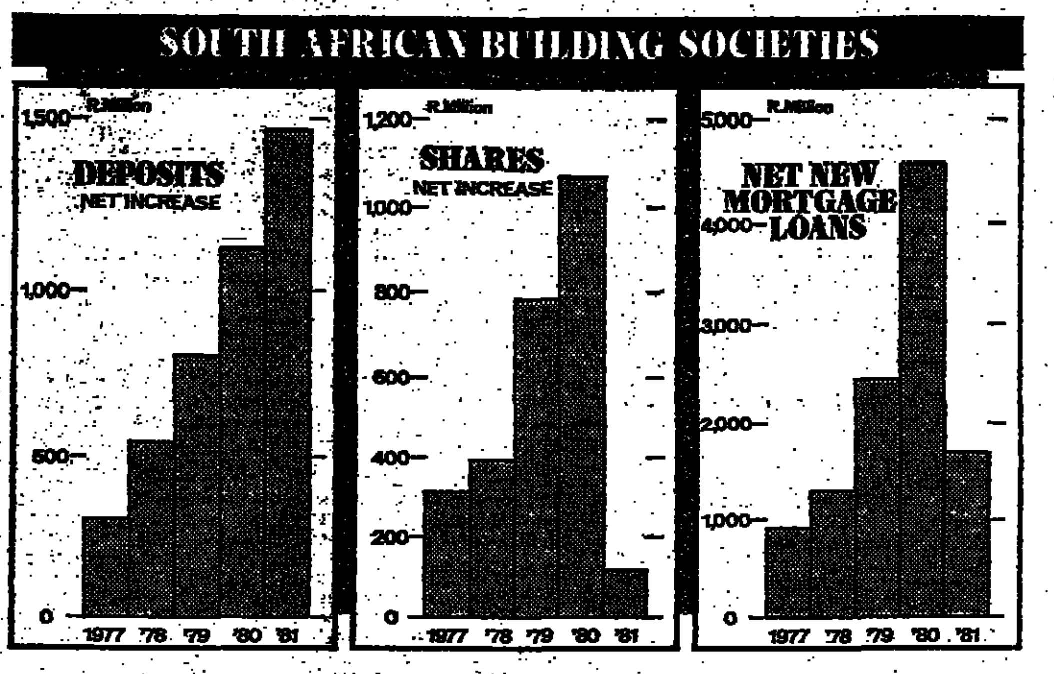
The main concession made to the societies is that, unlike the banks, they are allowed to offer tax-free investments carrying interest rates as low as 9.5 per cent. However, yields on the tax-free schemes have failed to keep pace with the overall surge in interest rates, and investors have increasingly moved to higher yielding fixed deposits.

Fixed deposits accounted for 25.4 per cent of the societies' funds in April 1980. Two years later the contributed 33.9 per cent.

Meanwhile, the societies are paying dearly for their attempts in the late 1970s to augment their funds (drawn mainly from small savers) with investments from large institutions. As competition for deposits increased, these institutional funds were placed elsewhere.

The societies' plight is shown in recent statistics from the societies themselves. Withdrawals exceeded total inflows in January and February, and have been higher than new investments in taxfree shares for nine of the past 12 months. Net withdrawals were R55m in February, for instance.

The shortage of funds and low mortgage rates have forced the societies to curtail new loans substantially. They advanced R2.5bn to house buyers in the year to March, 27 per cent less than during the previous 12 months.



A sharp increase in house prices has raised the average value of bonds, enabling the societies to grant fewer loans. The number of new mortgages was more than halved last year, compared with 1980. While the investments of four savers provided an average mortgage two years ago, eight savers are now needed to fund each loan.

The number of new mortgages granted was more than 200,000 in the year to March, 1981, and down to 95,000 in the year to last March.

The strains of tighter margins and a lower volume of business are becoming increasingly visible. The United, the largest society, took over a smaller competitor earlier this year in what was clearly a rescue operation.

The societies normally increase the mortgage rate only after seeking the approval of the Minister of Finance. But last month two of the smallest institutions broke ranks and pushed up their rates by 0.5 per cent without official sanction. "Our need was greater than our fear of the Minister," says Mr Ron Mumford, managing director of the Eastern Province Society, one of those involved.

Other societies are expected to raise mortgage rates again in coming weeks, to staunch pressure on their reserves.

To a certain extent, the societies' problems arise from the business cycle, and will subside when competition for funds abates, probably towards the end of 1982.

But in the new climate of free markets and fast-moving interest rates, the artificially low mortgage rate stands out like a sore thumb. Mr Jim Dodds, chief executive of the Allied Building Society, echoes several of his colleagues: "I think there's going to be a far more volatile mortgage rate in future."

A gradual cutback of societies' tax-free investments is the corollary of a freer mortgage rate. Mr Dodds estimates that the mortgage rate would rise to 17 per cent if tax-free benefits were withdrawn now.

The problem for societies is that as the mortgage rate moves towards other lending rates, banks will become increasingly interested in home loans. One banker predicts that property will be the fastest growing area of South African banks' business in the 1980s.

Japanese boom in Australian dollar bonds

BY RICHARD C. HANSON IN TOKYO

HIGH YIELD Australian dollar bonds have replaced Canadian and U.S. bonds as the hottest selling foreign investment in Japan. In recent days, Australian bonds may have accounted for as much as half of Japan's overseas investment in securities.

The extraordinary boom in Australian bond sales began in April among the big insurance companies when fund managers launched a search for the highest yields available on the international capital market.

The companies were inspired to do this after the Finance Ministry informally asked for restraints on the total amount of funds to be newly invested overseas to reduce downward pressure on the yen. Insurance companies appear to be limiting overseas investment to a ceiling of 10 per cent of freshly available assets. The biggest portion of the rest of these funds is invested in Japanese bonds, which currently yield about half the 16 per cent to 17 per cent coupons available in Australia.

Australia's main attraction is the 1 per cent or so gap now existing between its bonds and those issued in the U.S. and Canada. The Australian dollar also poses somewhat less of an exchange risk.

Purchases from April onward have amounted to roughly A$100m-200m (U.S.$102m-204m). Securities companies estimate that purchases in July could be over A$100m.

What makes the buying stand out, however, is that purchases of foreign bonds in general have been on the decline since April, when the Finance Ministry began applying pressure to help the yen.

In March, net overseas bond purchases totalled U.S.$870m. By May, the pace was about half that and there appears to have been a further drop last month.

Securities houses have so far kept the volume of Australian bonds on sale in Japan to well below the level which might arouse the interests of the authorities. The houses are still smarting from a sharp knuckle rapping from the Finance Ministry over excessive sales of zero coupon Eurobonds, which have been banned since March.

Even so, it is estimated that Japanese investors are now buying up to 15 per cent of the new bonds issued in Australia.

Steady progress by Kirsh companies

BY OUR JOHANNESBURG CORRESPONDENT

THE QUOTED operating and holding companies in the unquoted Kirsh Industries group have reported sound results in their trading periods which ended on April 30.

Metcash, the group's cash-and-carry wholesale arm, earned pre-tax profits of R25m ($22m) in the 14 months ended April 30 on sales of R833m. In the year ended February 28, 1981, pre-tax profit was R19.7m on R541m.

Coki, which has a number of stakes in retailing companies, earned a pre-tax profit of R18.6m in the 16 months to end-April on turnover of R551m.

On March 1, 1981, Coki acquired 30 per cent of Dion, a discount retail chain, and 53.3 per cent of the furniture retailer, Russell Holdings.

In addition, on December 1, 1981, Coki acquired a 49 per cent interest in Union Wine, the liquor producer and retailer. Coki also holds about 40 per cent of Greatermans, the retail chain, on behalf of Kirsh.

Coki has declared a total dividend of 11 cents a share from earnings of 30, 25 cents a share, compared with no dividend and no earnings.

Metro corporation, which owns 96 per cent of Metcash and 86 per cent of Coki, earned a pre-tax profit of R42.6m in the 14 months ended April 30 and has declared a total dividend of 161 cents from per share earnings of 392 cents.

Kimet, whose main asset is 50 per cent of Metro Corporation, had a pre-tax profit of R20.1m in the 14 months. It has declared a total dividend of 17 cents from earnings of 46.2 cents a share. Just over 50 per cent of Kimet's equity is owned by Kirsh Industries.

Banks weak on Wall St

BANKING SHARES were among the weakest issues as prices declined moderately in light trading on Wall Street yesterday.

By 1 pm the Dow Jones Industrial Average was off 4.75 to 792.24, the Transport Index shed 3.15 to 311.45, while the NYSE All Common Index dipped 47 cents to $61.52. Declines topped advances by almost a two-to-one margin. Turnover was 28.19m shares.

The most pressing concern of investors is growing belief that interest rates will remain high over the near-term. Analysts said many traders also believe that Corporate earnings will make very poor reading when results for the June quarter begin appearing.

Analysts said the market will probably hover around its present level until it sees some movement in interest rates.

In the Banking group, Continental Illinois fell $2⅜ to $19⅜ after saying it expects to report a loss for the second quarter. Chase Manhattan dropped $1½ to $39.

Chrysler eased $½ to $6⅝—it reduced prices on its Dodge Colt and Plymouth Champ models.

Kerr-McGee slipped $2⅜ to $29⅜, after advancing more than $1 on Friday on takeover rumours.

H. H. Robertson surrendered $3½ to $30½.

However, takeover target Gidding and Lewis, delayed in opening, was indicated sharply higher on the NYSE. It closed Friday at $12⅜. Canadian-based Amca International is offering to acquire Giddings and Lewis at $25 a share. The value of the transaction is estimated at $260m.

Allied Corporation fell $1⅜ to $29, while American Express surrendered $1¾ to $36½. Getty Oil, another weak performer, lost $1⅞ to $47½.

THE AMERICAN SE Market Value Index was off 2.53 to 245.85 in a volume of 2.12m shares.

Canada

Slightly lower at mid-session with Gold issues pacing the decline. The Gold Share Index came back 60.9 to 1508.3.

The Toronto Composite Index eased 2.6 to 1357.2, Oil and Gas 9.6 to 2366.5. Utilities 0.46 to 181.51 and Papers 0.40 to 128.14. But Metals and Minerals put on 4.4 to 1193.2 and Banks firmed 1.37 to 250.38.

Tokyo

Hitachi's trial on charges of stealing IBM secrets continued to haunt the Stock Exchange Tuesday, driving the Nikkei Dow Index down 61.54 to 7,019.56 on trading of 270m (140m) shares.

Hitachi further declined Y15 to 550 and dragged down Blue Chips with it across the Board.

The Hitachi case has darkened an already cloudy economic sky, said one trader. Investors want to sell rather than face the uncertainty, he added.

The downward slide has caught up with some of the "large" speculators. One major investor, hurt by the recent downturn, has been selling millions of shares in NEC, Fuji Film and Hitachi, he said.

In line with the market's pessimism, one major Securities firm has predicted that the Dow Index will drop to the 6,800 level by the end of next week.

Fujitsu bucked the downtrend rising Y1 to 700 on its announcement that it has developed what it called the world's fastest processing computer for scientific use.

Other stocks that withstood the downward pressure and rose were largely Speculative issues. Despite a general decline among Pharmaceutical shares, for example, a trader noted that Dainippon Pharmaceutical put on Y30 to 1,270.

Green Cross, gave way to Y70 to 1,880, indicating that the market is focussing not only on prior rumours that the company may be under invesetigation by the FBI, but also on the poor growth in the market for the company's artificial blood.

Machineries, Steels, Motors and non-Ferrous Metals also weakened.

Government Bond's remained level, with the market finding neither buyers nor sellers.

Hong Kong

Stocks closed steady to slightly firmer, after some fairly strong buying in the morning which did not continue into the afternoon.

There was interest in Cheung Kong, up 10 cents at $HK15.00, and Hutchison Whampoa, up 30 cents at $HK15.70.

Germany

Most leading shares closed easier as uncertainty about efforts to rescue AEG depressed the broader market.

But foreign buying at the lower levels, spurred by the cheaper mark, pulled shares off their lows. AEG closed at DM30, down DM 3.10, with dealers citing the lack of positive news from the latest creditors' meeting.

Banks were weak because of their involvement with AEG. Dresdner fell DM 2.10 to DM 134.80, Commerzbank DM1.50 to DM 133.50 and Deutsche DM 0.20 to DM 365.10, though all came off their opening lows on Foreign demand.

Preussag, however, rose another DM 1.10 to DM 189.30 on continued demand ahead of its dividend payout.

In otherwise steady Engineerings, Mannesmann lost DM 1 to DM 133—it is persistently mentioned in connection with AEG.

The Domestic Bond issues retreat continued triggered by rising Money Market rates.

Paris

French and Foreign share prices were marked up across a broad front in a session which was interrupted for about an hour by a demonstration.

Trading resumed later although volume was thin. Advances led declines by 97 to 44 in the French section and by 37 to 20 among Foreign issues.

Apart from some isolated weak spots among Banks, Engineerings and Electricals, gains predominated in practically all other sectors.

Making good progress in the Foreign section were Chase Manhattan, Deutsche Bank, Sony, Goldfields, RTZ and Quilmes. Matsushita, Harmony and Nestle were exceptions to the rule.

Switzerland

Prices extended their downtrend as buying dried-up amid the dollar's firmness and an announcement that Consumer Prices in the city rose 7 per cent in June from a year earlier.

Buyers stayed away for the most part, with volume in Swiss shares falling back to 189 transactions.

Declines were concentrated in the Bank, Finance and Chemical sectors.

Foreign stocks were generally higher in light trading.

Milan

Lower in thin trading, with investors reluctant to commit themselves because of the political and economic situation.

Johannesburg

Gold shares closed steady at their slightly lower opening levels in limited trading, reflecting the little changed Bullion price.

News a White Miners' strike threat has been averted after employers and Union leaders agreed a compromise pay deal, came too late to affect the market.

America were not available Closing prices for North for this edition.

Indices

NEW YORK —DOW JONES

	July 2	July 1	June 30	June 29	June 28	June 25	1982 High	1982 Low	Since Cmpil't'n High	Since Cmpil't'n Low
♦Industr'ls	796.99	803.27	811.93	812.21	811.93	808.08	882.52 (4/1)	788.62 (18/6)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me Bnds.	57.90	58.12	57.94	58.15	58.36	58.45	60.27 (27/5)	55.67 (12/2)	—	—
Transport..	314.60	317.00	320.69	318.27	319.39	315.35	388.46 (7/1)	303.73 (21/6)	447.38 (16/4/81)	12.52 (8/7/32)
Utilities	108.17	108.68	107.70	108.86	108.52	108.57	116.85 (7/6)	103.61 (15/1)	165.32 (20/4/69)	10.5 (28/4/42)
TradingVol 000's	45,760	47,900	55,288	46,980	48,700	38,740	—	—	—	—

♦ Day's high 803.18 low 792.52

Indust'l div. yield %	June 25	June 18	June 11	Year ago (Approx
	6.95	7.08	6.90	5.50

STANDARD AND POORS

	July 2	July 1	June 30	June 29	June 28	June 25	1982 High	1982 Low	Since Cmpil't'n High	Since Cmpil't'n Low
‡Indust'ls	120.14	121.36	122.42	125.29	123.44	122.09	157.28 (4/1)	118.41 (8/3)	160.86 (28/11/80)	3.52 (30/6/32)
§Comp's'te.	107.65	108.71	109.61	110.21	118.26	109.14	122.74 (4/1)	107.20 (21/6)	140.52 (28/11/80)	4.407 (1/6/32)

	June 30	June 23	June 16	Year ago (approx
Indust'l div. yield %	5.91	5.89	5.97	4.85
Indust'l P:E ratio	7.70	7.76	7.65	9.27
Long Gov. Bond yield	13.75	14.02	13.66	13.27

NY. S.E. ALL COMMON

July 2	July 1	June 30	June 29	1982 High	1982 Low
61.99	62.51	63.02	63.28	71.20 (4/1)	61.75 (21/6)

Rises and Falls	July 2	July 1	June 30
Issues Traded	1,798	1,800	1,855
Rises	506	460	801
Falls	857	910	603
Unchanged	435	430	451
New Highs	—	14	29
New Lows	—	59	37

MONTREAL

	July 5	July 2	July 1	June 30	1982 High	1982 Low
Industrials	252.72	252.58	(c)	254.02	332.79 (4/1)	249.88 (21/6)
Combined	238.11	237.84	(c)	253.51	318.08 (4/1)	237.27 (21/6)
TORONTO Composite	1359.8	1359.8	(c)	1386.8	1856.5 (4/1)	1555.7 (21/6)

	July 6	July 5	July 2	July 1	1982 High	1982 Low
AUSTRALIA All Ord. (1/1/80)	457.8	460.7	463.0	478.8	585.5 (4/1)	466.6 (10/3)
Metal & Minls. (1/1/80)	514.2	518.4	321.8	535.8	425.1 (5/1)	308.8 (25/6)
AUSTRIA Credit Aktien (2/1/62)	48.77	48.87	48.16	48.94	56.98 (4/1)	48.89 (28/6)
BELGIUM Belgian SE (31/12/63)	92.87	92.55	92.54	92.44	102.43 (5/4)	86.42 (20/1)
DENMARK Copenhagen SE (1/1/73)	110.04	110.88	111.34	111.88	128.22 (25/2)	108.55 (18/6)
FRANCE CAC General (31/12/81)	—	98.50	97.6	98.4	117.6 (12/5)	85.8 (4/1)
Ind Tendance (31/12/81)	110.4	109.60	108.7	109.1	124.8 (12/5)	97.7 (4/1)
GERMANY FAZ-Aktien (31/12/58)	224.6	224.78	225.65	226.47	238.45 (5/4)	218.35 (18/1)
Commerzbank(Dec1953)	680.0	685.7	688.5	691.4	729.8 (5/4)	688.7 (18/1)
HOLLAND ANP-CBS General (1970)	85.5	85.4	85.9	86.4	95.0 (10/5)	84.8 (6/1)
ANP-CBS Indust (1970)	66.9	66.5	67.0	67.1	74.8 (10/5)	65.2 (4/1)
HONG KONG Hang Seng Bank (31/7/64	1269.58	1266.71	1274.29	(c)	1445.82 (12/1)	1129.85 (8/3)
ITALY Banca Comm Ital./1972)	153.40	154.97	155.66	154.79	212.66 (19/3)	153.27 (29/6)
JAPAN** Dow Average (16/5/49)	7019.56	7081.10	7084.87	7178.58	7826.55 (27/1)	6889.53 (17/3)
Tokyo New SE (4/1/68)	526.25	550.16	550.98	536.53	593.29 (27/1)	520.78 (17/3)
NORWAY Oslo SE (1/1/72)	115.54	115.6	115.39	115.21	150.39 (26/1)	108.12 (1/4)
SINGAPORE Straits Times (1966)	695.19	699.28	705.66	709.40	810.76 (6/1)	687.49 (3/3)
SOUTH AFRICA Gold (1958)	—	—	348.9	350.4	589.5 (6/1)	341.1 (21/6)
Industrial (1958)	—	—	510.0	512.7	711.7 (8/1)	507.5 (29/6)
SPAIN Madrid SE (30/12/81)	90.58	91.80	91.83	95.29	107.45 (9/2)	90.58 (6/7)
SWEDEN Jacobson & P. (1/1/58)	587.83	593.88	592.07	591.55	656.52 (22/1)	563.32 (28/4)
SWITZERLAND Swiss BankCpn.(31/12/58)	241.1	241.4	241.6	243.0	265.1 (11/1)	241.1 (6/7)
WORLD Capital Intl. (1/1/70)	—	124.8	124.2	125.5	147.2 (4/1)	123.7 (21/6)

(**) Saturday June 26: Japan Dow 7203.90. TSE 539.40.

Base values of all indices are 100 except Australia All Ordinary and Metals—500. NYSE All Common—50: Standard and Poors—10: and Toronto—1,000: the last named based on 1975. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed u Unavailable.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Sony	1,973,100	12¾	−⅛
Tosco	708,000	13⅞	+¼
Exxon	652,700	27⅞	−¼
Superior Oil	661,300	29	+1⅝
Kerr McGee	530,500	31⅜	+1⅞
Schlumberger	507,800	35⅞	−1⅞
Intl. Min.	492,900	25⅜	−⅞
Citicorp.	432,900	25⅞	—
Amer. Express	411,600	38¾	−1⅞
ATT	381,200	50¾	−⅛

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

Growing prospect of imminent base-lending rate cuts lifts equities but Gilts stall after money figures

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
June 21	July 1	July 2	July 12
July 5	July 15	July 16	July 26

* "New time" dealing may take place from 9 am two business days earlier.

Newfound optimism that UK clearing bank base-lending rates would shortly be reduced ½ to 12 per cent strengthened yesterday. London stock market sentiment also benefited from encouraging news on the rail deadlock, but the major stimulant was undoubtedly the authorities' continued acquiescence of the moves to lower interest rates; the Bank of England yesterday cut its intervention rates in UK money markets for the second day running.

Investors were impressed with these developments and chose to ignore an easier sterling exchange rate and the mine workers' reported decision to submit a substantial wage claim. Fresh demand for Gilt-edged securities enabled the Government broker to sell more of the short tap, £30-paid Treasury Convertible 12½ per cent 1986, this time at 30¼ and remaining a seller at that price.

Prior to the 2.30 pm announcement of the June banking statistics, the trend was fully firm with quotations ⅜ higher at both ends of the market. The growth in sterling M3 last month was exactly in line with expectations, but Gilt gains were pared to around ½ generally in the absence of follow-through support. This followed the possibility that some loose holders might see fit to take recently-established profits.

Equity markets were unaffected by the banking figures. Dealers welcomed a flurry of early investment interest, some on institutional account, and leading shares soon extended Monday's recovery which was partly achieved on the back of professional short-covering. Bear closing was also a factor yesterday but there was also evidence to suggest that some larger investors were now more prepared to part with pent-up funds.

Business faded later in the session as the Gilt-edged market became more subdued. Early dullness on Wall Street soon after its re-opening yesterday also made for caution and many leading industrials eased the turn late. Measuring the trend, the FT Industrial Ordinary share index posted a rise of 6.7 at noon before closing a net 5.6 up for a two-day gain of 11 points to 554.0.

Guinness Peat rally

Further consideration of the sale of the group's commodity division to management interests headed by Lord Kissin prompted a rally in Guinness Peat which, at 47p, retrieved 4 of the previous day's effective fall of 14. Other Merchant banks made progress with investment support lifting Hambros 7 to 115p. Discount Houses were encouraged by the prospect of a further fall in interests rates; Cater Allen gained 10 to 315p, while Alexanders, 230p, and Gillett Brothers, 147p, advanced 5 apiece. Quietly firm conditions prevailed in the major celaring banks ahead of the interim dividend season scheduled to start at the end of the month. NatWest put on 6 to 428p and Midland 5 to 330p. Elsewhere, First National Finance hardened a penny more to 34½p.

After Monday's bout of activity, conditions in the Insurances turned much quieter. Still awaiting official EEC Commission approval of Allianz's acquisition of a major stake in the company, Eagle Star cheapened 2 to 356p as recent speculative support was withdrawn.

Among regional breweries, Marston, Thompson and Evershed rose 3 to 88p following the increased annual profits and dividend.

The prospect of cheaper money encouraged fresh support for leading Buildings which displayed useful gains, some of which were exaggerated by stock shortages. Rugby Portland Cement came to the fore and put on 5 to a 1982 peak of 98p, while Blue Circle gained the same amount to 445p. BPB rose 8 to 410p. House builders featured Barratt Developments which advanced 8 to 278p. Revived support left Bryant Holdings 4 up at 102p and Bellway a couple of pence firmer at 76p. Elsewhere, demand in a limited market lifted Ruberoid 8 to 161p.

ICI touched 310p before drifting off to close unaltered at 306p. Ahead of next Monday's results, Amersham equalled its peak, rising 6 to 226p.

UDS feature

UDS attracted a brisk trade and touched 67p before settling for a net gain of 4 at 65p; Heron Corporation, the privately-owned group headed by Mr Gerald Ronson, revealed late on Monday that it had acquired a 5.1 per cent holding in UDS and with its preliminary figures released yesterday also made known that it was seeking a major acquisition.

Other Store leaders remained subdued and closed a shade easier for choice, although Marks and Spencer bucked the trend and added a penny at 157p, after 158p. Polly Peck continued to stand out among secondary counters, rising 13 more to 343p on renewed interest, while Cornell Dresses firmed 8 to 160p in sympathy. Suport was also noted for James Beattie "A," 3 up at 73p, and for House of Lerose, 4 dearer at 99p.

BICC were sold down to 285p before closing a net 12 down at 293p following adverse comment and on consideration of yet another downgraded profits forecast by a leading broker. Other major Electricals fared much better with GEC continuing to thrive after the recent good results and capital proposals closing ⅛ better at a 1982 peak of £10⅛. Plessey, helped by the chairman's optimistic annual statement, ended 7 to the good at 477p. Thorn EMI rallied 5 to 410p. Elsewhere, United Scientific came in for some good support and rose 15 to 380p, while Ferranti advanced 17 more to 770p. Immediate Business Systems firmed 10 to 135p as did Electrocomponents, to 183p. By way of contrast, Quest Automation fell 10 to 40p on sporadic offerings and lack of support.

Engineering leaders displayed no set trend after a moderate business. Vickers rose 4 to 137p and GKN edged forward a couple of pence to 148p. TI were a nervous market and closed 2 cheaper at 106p. Elsewhere, Yarrow gained 10 to 375p. 600 Group moved 2½ to 69p.

Foods went with the general trend. Cadbury Schweppes firmed a couple of pence to 94p, while Northern put on 4 to 146p. Tate and Lyle also gained 4, to 166p, but British Sugar softened 5 to 475p in the absence of takeover developments. Avana, which recently announced excellent results, put on 10 to a 1982 peak of 308p. Among Retailers, J. Sainsbury attracted support and rose 7 to 327p, while Fitch Lovell, 80p, and Bejam, 137p, added 3 and 4 respectively.

Grand Metropolitan stood out in Hotels and Caterers, rising 5 to 233p. Interest was also shown in Comfort which gained a penny to 16½p.

Interest rate optimism continued to spur the miscellaneous industrial leaders. Additionally helped by the chairman's confident statement, Beecham rose 7 to 286p, after 287p, while Glaxo rose 13 to 724p, after 728p. Reed International put on 9 to 397p and Pilkington 5 to 198p, while Metal Box, 152p, and Bowater, 202p, added 4 apiece. Secondary issues were featured by a jump of 11 to 83p in R. W. Toothill following much-better-than-expected annual results, while preliminary figures also prompted a rise of 5 to 73p in R. Kelvin Watson. De La Rue rallied 30 to 485p, while Booker McConnell rose 5 to 67p on revived speculative buying. Down 7 the previous day, Granada "A" rallied smartly to 197p ahead of the interim results but reacted to close only a few pence dearer at 189p as the Board's cautious remarks concerning second-half prospects outweighed the satisfactory first-half figures. Reflecting the profits recovery, Rexmore hardened 1½ to 22p but Parker-Knoll "A" fell 4 to 130p on details of the factory closure and redundancies.

Motor sectors showed no set trend. Components, firm initially, fell away towards the close. Dowty, up to 136p earlier, reverted to unchanged at 132p; the preliminary results are scheduled for Thursday of next week. Lucas also came under pressure and eased 3 to 164p, after 169p, but AE were wanted at 42p, up 1½. Distributors usually moved higher. Kenning were active and rose 3 to 61p following news of the death of the chairman and managing director Mr David Kenning. Lex Service interim results due at the end of the month, continued to draw strength from favourable comment and added 4 for a two-day gain of 9 to 135p.

Buyers again showed little enthusiasm for Properties which drifted down in thin trading. Land Securities finished 4 cheaper at 266p, as did MEPC, 170p. Hammerson A gave up 5 to 535p, while Haslemere Estates lost 4 to a 1982 low of 338p. London Provincial Shop and Thames Investments shed 5 apiece to 408p and 85p respectively.

I C Gas up

Shell's move to halt its programme for running down surplus oil stocks was deemed a slightly bullish sign for the oil sector, but, once again, an early mark up failed to stimulate any sizeable interest and quotations drifted back to close below the best. Shell, after opening at 390p, settled only 4 dearer on balance at 386p, while British Petroleum, 278p initially, finished a net 2 cheaper at 270p. Suggestions that a rights issue would accompany the IC Gas preliminary results proved unfounded and the shares touched 190p before closing a net 7 up at 183p on profits at the top end of market estimates.

In Shippings, P & O Deferred rose 5 to 146p on revived speculative demand; but Reardon Smith A remained friendless and shed that amount to record a two-day fall of 12 to 53p.

Attention in Textiles was mainly centred on Tootal which attracted an active two-way business and eased the turn to 32p following the rescinding by mutual consent of the agreement to sell the company's holding in Bradmill to Bruck (Australia). Among lower-priced counters.

In Tobaccos, Bats continued to rally from recent U.S.-inspired weakness and added 9 for a two-day gain of 17 at 432p. Imperial Group, interim figures due tomorrow, eased a penny to 103½p.

Golds easier

A return to normal working on the South African gold mines affected by riots over the previous five days coupled with the news that white miners have reached a compromise wage agreement, thereby averting a threatened strike, failed to prevent modest losses in Golds.

The market opened on a steady note but drifted throughout the session as the bullion price dipped to close $4.75 cheaper at $310.50 an ounce. Also affecting sentiment in the share-market was a downturn in the Financial Rand.

Interest in the sector remained at a low ebb with dealers awaiting the June quarterly reports, the first of which, from the mines in the Gold Fields group, are published today.

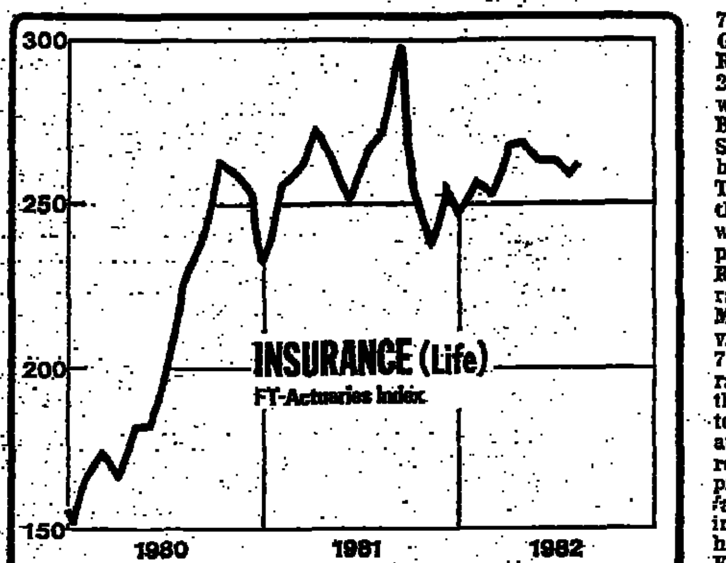
The Gold Mines Index, registering its fourth successive decline, gave up 0.7 to 195.2.

South African Financials were equally subdued. De Beers eased 2 to 188p on nervous selling ahead of the half-year diamond sales figure which is expected in the next few days.

Coals staged a good rally, aided by the recently announced increases in export quotas. "Amcoal" put on ½ to £11 and Transvaal Consolidated Land ½ to £16½.

Renewed strength in UK equities combined with a stock shortage led to substantial gains in London-domiciled Financials. Gold Fields followed Monday's 9 rise with one of 13 to 357p, while Charter moved up 10 more to 198p and Rio Tinto-Zinc another 5 to 370p.

Contracts taken out in Traded Options increased substantially, 2,348 calls and 550 puts being recorded. The upturn in business was mainly attributable to an exceptionally active turnover in Lonrho positions—the group's first-half results are expected shortly—in which 986 calls were taken out, 308 in the November 80's. Imperial Group, interim results tomorrow, attracted a useful two-way trade with 335 calls and 250 puts.



INSURANCE (Life)
FT-Actuaries Index

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
July 12	July 23	Oct 14	Oct 25
June 21	July 1	July 2	July 12
July 26	Aug 6	Oct 28	Nov 8

For rate indications see end of Share Information Service

Stocks favoured for the call included TI, Automotive Products, Town and City Properties, Tate and Lyle, Capital and Counties, KCA International, UDS and Marshall's Universal. No puts were reported, but doubles were taken out in Hawker Siddeley and TI.

FINANCIAL TIMES STOCK INDICES

	July 6	July 5	July 2	July 1	June 30	June 29	A year ago
Government Secs.	69.96	69.85	69.39	69.49	69.44	68.94	64.75
Fixed interest	70.43	70.30	69.99	69.85	69.75	69.49	65.97
Industrial Ord.	554.0	549.4	543.0	549.3	554.3	552.0	529.5
Gold Mines	195.2	195.9	197.2	197.7	203.7	198.3	295.1
Ord. Div. Yield	5.58	5.66	5.69	5.65	5.58	5.60	6.03
Earnings, Yld.% (full)	11.66	11.80	11.91	11.59	11.63	11.67	11.11
P/E Ratio (net) (*)	10.44	10.31	10.21	10.39	10.46	10.41	10.39
Total bargains	14,311	14,607	13,752	15,930	13,517	12,233	20,558
Equity turnover £m.	—	108.61	114.06	132.93	111.26	102.54	130.27
Equity bargains	—	10,306	11,294	10,560	9,970	9,873	15,143

10 am 553.8. 11 am 552.0. Noon 555.1. 1 pm 554.5. 2 pm 554.3. 3 pm 554.8.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

*Nil=9.70.

HIGHS AND LOWS

	1982 High	1982 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	70.40 (7/6)	61.55 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	70.57 (14/6)	62.79 (7/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	594.0 (3/6)	518.1 (6/1)	597.3 (30/4/82)	49.4 (26/6/40)
Gold Mines	302.0 (6/1)	181.3 (22/6)	558.9 (19/3/80)	43.5 (26/10/71)

S.E. ACTIVITY

	July 6	July 5
Daily Gilt Edged Bargains	172.8	150.4
Equities Bargains	66.8	73.6
Value	207.4	230.5
5-day Average Gilt Edged Bargains	151.0	148.8
Equities Bargains	67.0	64.8
Value	223.8	210.5

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues July 6 1982 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Mon July 5 Index No.	Fri July 2 Index No.	Thurs July 1 Index No.	Wed June 30 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (209)	392.17	+1.1	9.56	4.29	13.02	387.85	[illegible]	[illegible]	[illegible]	[illegible]
2 Building Materials (23)	324.26	+1.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (28)	583.03	+1.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (31)	1328.48	+0.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Engineering Contractors (11)	482.98	+1.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (67)	196.58	+0.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (11)	149.20	+1.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (20)	86.12	+0.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (18)	352.99	+1.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (202)	304.15	+1.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (22)	323.03	+1.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (22)	298.22	+0.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (14)	622.61	+1.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household products (9)	464.75	+2.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Newspapers, Publishing (13)	508.56	+0.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
33 Packaging and Paper (14)	141.96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (45)	271.64	+0.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (23)	182.35	+1.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36 Tobaccos (3)	333.28	+1.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
39 Other Consumer (14)	263.41	+0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 OTHER GROUPS (76)	259.17	+0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (15)	329.38	+0.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Office Equipment (4)	99.98	+0.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Shipping and Transport (13)	544.47	+0.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
46 Miscellaneous (44)	311.25	+0.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (487)	326.14	+1.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oils (13)	661.49	+0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX	353.50	+0.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (117)	240.58	+0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (6)	252.09	+0.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
63 Discount Houses (9)	229.35	+0.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (9)	261.51	+0.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (10)	152.98	+0.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance Brokers (7)	331.25	+0.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (12)	131.29	+1.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (49)	394.62	+0.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (15)	164.19	+0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (111)	285.87	+0.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (4)	198.99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (18)	346.81	+1.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (750)	323.03	+0.8	—	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

PRICE INDICES	Tues July 6	Day's change %	Mon July 5	xd adj. today	xd adj. 1982 to date
British Government					
1 5 years	113.28	+0.12	113.15	—	[illegible]
2 5-15 years	122.92	+0.09	122.81	—	[illegible]
3 Over 15 years	135.66	+0.09	135.55	—	[illegible]
4 Irredeemables	135.15	+0.73	[illegible]	—	[illegible]
5 All stocks	118.53	+0.10	118.41	—	[illegible]
6 Debentures & Loans	98.12	+0.72	[illegible]	—	[illegible]
7 Preference	66.86	+0.38	65.86	—	[illegible]

AVERAGE GROSS REDEMPTION YIELDS (Low, Medium and High coupons 5, 15 and 25 years; Irredeemables; Debs & Loans 5, 15 and 25 years; Preference): [illegible]

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

NEW HIGHS AND LOWS FOR 1982

The following quotations in the Share Information Service yesterday attained new Highs and Lows for 1982.

NEW HIGHS (32)

BRITISH FUNDS (7) [illegible]
BEERS (1) Marston Thompson
BUILDINGS (4) Rugby Port. Cement [illegible]
STORES (1) Beattie (J.)
ELECTRICALS (4) Cambridge Elect. Imm. Bus. Systems Plessey [illegible]
ENGINEERING (1) Mitchell Somers
FOODS (2) Avana Hazlewood
HOTELS (1) Grand Metropolitan
INDUSTRIALS (9) [illegible] Lond. Prov. Health Marling Inds. Toothill (R. W.) Watson (R. K.)
INSURANCE (2) Heath (C. E.) Phoenix
MOTORS (1) Lex Service
TEXTILES (1) Smallshaw (R.)
TRUSTS (1) Equity Inc.

NEW LOWS (54)

CANADIANS (3) Bank of Montreal Trans Can. Pipe [illegible]
BANKS (1) Joseph (Leo.)
BUILDINGS (1) Wiggins
STORES (1) Time Products
ELECTRICALS (4) Quest Auto. Telephone Rentals Wigfall (H.) [illegible]
ENGINEERING (3) Linread Wood (S. W.) [illegible]
FOODS (1) Collins A
INDUSTRIALS (7) Caravans Intl. Renown Inc. G.R. (Hldgs.) [illegible]
INSURANCE (1) Taisho Marine
LEISURE (1) Boosey & Hawkes
MOTORS (1) Lucas Inds.
PAPER (2) More O'Ferrall Smith (D.S.)
PROPERTY (7) Greycoat Ests. Haslemere Land Secs. Regional Prop. Rosehaugh Lon. & Provl. Shop Thames Inv. & Secs.
SHIPPING (2) Reardon Lyle Shipping
TEXTILES (2) Textured Jersey [illegible]
TRUSTS (5) Crescent Japan Ind. Inv. Tst. Jersey [illegible] Westpool Inv.
OILS (5) Floyd Oil C.F. Petroles [illegible]
OVERSEAS TRADERS (1) [illegible]
RUBBERS (1) Malakoff
MINES (4) De Beers 40pc Pf. Geevor Northgate [illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	60	1	30
Corpns. Dom. and Foreign Bonds	10	3	64
Industrials	325	711	801
Financial and Props.	128	61	320
Oils	12	35	64
Plantations	[illegible]	[illegible]	[illegible]
Mines	17	19	116
Others	[illegible]	[illegible]	[illegible]
Totals	611	252	1,563

London Clearing Banks' balances

as at June 16 1982

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive banking and money supply figures published later by the Bank of England. They are prepared by the London clearing banks and cover the business of their offices and their subsidiaries (excluding Scottish and Northern Ireland banks) in England and Wales, the Channel Islands and the Isle of Man which are listed by the Bank of England as falling within the monetary sector.

TABLE 1. AGGREGATE BALANCES

	Total outstanding £m	£m	Change on month £m	£m
LIABILITIES				
Sterling deposits:				
UK monetary sector	13,123		+465	
UK private sector	47,232		+608	
UK public sector	941		+ 7	
Overseas residents	6,110		+ 82	
Certificates of deposit	3,336		− 49	
		70,742		+1,211
of which: Sight		21,779		− 46
Time (inc. CD's)		48,963		+1,257
Foreign currency deposits:				
UK monetary sector	13,364		+523	
Other UK residents	3,320		+ 36	
Overseas residents	30,227		+119	
Certificates of deposit	4,409		+252	
		51,319		+ 930
Total deposits		122,061		+2,141
Other liabilities*		15,214		+ 218
TOTAL LIABILITIES		137,275		+2,359
ASSETS				
Sterling				
Cash and balances with Bank of England		1,236		+ 55
Market loans:				
Discount houses	2,868		+168	
Other UK monetary sector	12,939		+678	
Certificates of deposit	1,152		− 90	
Local authorities	1,554		− 19	
Other	1,351		+ 7	
		18,956		+ 744
Bills:				
Treasury bills	234		+ 46	
Other bills	1,232		+ 48	
		1,466		+ 94
Special deposits with Bank of England	—		—	
Investments:				
British Government stocks	2,728		+ 75	
Other	2,606		+ 5	
		5,333		+ 81
Advances:				
UK private sector	44,374		+498	
UK public sector	509		−155	
Overseas residents	2,568		+ 71	
		48,450		+ 413
Other sterling assets*		8,424		+ 44
Foreign currencies				
Market loans:				
UK monetary sector	12,609		−122	
Certificates of deposit	309		− 27	
Other	22,493		+844	
		35,411		+ 696
Bills		115		+ 6
Advances:				
UK private sector	2,398		−148	
UK public sector	595		+ 10	
Overseas residents	11,662		+319	
		15,083		+ 182
Other foreign currency assets*		2,799		+ 45
TOTAL ASSETS		137,275		+2,359
Acceptances		2,616		+ 82
Eligible liabilities		52,780		+ 386

* Includes items in suspense and in transit.

TABLE 2. INDIVIDUAL GROUPS OF BANKS' BALANCES

	TOTAL Outstanding £m	TOTAL Change on month £m	BARCLAYS Outstanding £m	BARCLAYS Change on month £m	LLOYDS Outstanding £m	LLOYDS Change on month £m	MIDLAND Outstanding £m	MIDLAND Change on month £m	NATIONAL WESTMINSTER Outstanding £m	NATIONAL WESTMINSTER Change on month £m	WILLIAMS & GLYN'S Outstanding £m	WILLIAMS & GLYN'S Change on month £m
LIABILITIES												
Total deposits	122,061	+2,141	34,274	+429	22,407	+747	25,702	+636	36,409	+289	3,269	+ 40
ASSETS												
Cash and balances with Bank of England	1,236	+ 55	340	− 34	200	− 33	270	+ 39	382	+ 78	44	+ 5
Market loans:												
UK monetary sector	27,508	+725	7,176	+139	5,087	+389	3,972	+369	10,829	−143	442	− 29
Other	26,859	+715	7,444	+ 81	5,308	+242	5,611	+156	7,612	+207	884	+ 29
Bills	1,581	+ 99	565	+ 61	291	− 23	335	+ 14	356	+ 39	34	+ 14
British Government stocks	2,728	+ 75	853	+ 17	426	—	820	+ 21	577	+ 38	51	—
Advances	63,533	+595	18,631	+128	11,871	+274	13,935	+ 28	17,228	+143	1,869	+ 22

TABLE 3. INDIVIDUAL GROUPS OF BANKS' ELIGIBLE LIABILITIES

	TOTAL		BARCLAYS		LLOYDS		MIDLAND		NATIONAL WESTMINSTER		WILLIAMS & GLYN'S	
ELIGIBLE LIABILITIES	52,780	+386	17,062	+254	9,223	+ 61	10,704	− 48	14,316	+110	1,475	+ 10

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. Date	1982 High	1982 Low	Stock	Closing Price p	+ or −	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	F.P.	—	[illegible]	[illegible]	Antofagasta Hldgs £1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Argyll Foods Warr'ts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Argyle Trust	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Assoc. Heat Services	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Bairstow Eves 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Black (Michael) 20p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Cambrian & Gen. 7½p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Conv. Microwave	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Dencora	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Druck Hldgs.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Electro-Prot. (US$.50)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Group Inv Option	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Knight Cmptr Int 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	McCarthy & Stone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Miles 33 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Oriflame SA (US$1.25)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Oilfields Insp. Srvc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Radio City 'A' NV	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Ruddle (G.) 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Walker (Alfred) 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Zambia Cons Cpr 10K	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1982 High	1982 Low	Stock	Closing price £	+ or −
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Antofagasta 3.5% Pref. £1	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Benlox 8% Conv. Cum. Rd. Pf.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Bournemouth Water 9% Red. Prf. 1986	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	First Nat. 18¼pc Conv. Uns. Ln. 1987	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Ladbroke 11½% Conv. Sub. Uns. Ln.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Marlborough Props. 10% Cnv. Ln.	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Midland Bk 14% Sub. Un. Ln. 2002-07	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Nationwide [illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Do. 14% (4/7/83)	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	New Zealand 14¼% 1987	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	RIT & Northern 4pc Net Cum. Prf. £1	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Do. 4½pc Net Cum. Prf. £1	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Rotaprint 11½% Cum. Conv. Red. Pref.	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1982 High	1982 Low	Stock	Closing price p	+ or −
166	Nil	[illegible]	[illegible]	[illegible]	Applied Computer Tech.	[illegible]	[illegible]
170	F.P.	[illegible]	[illegible]	[illegible]	Bank Leumi (UK) £1	[illegible]	[illegible]
135	F.P.	[illegible]	[illegible]	[illegible]	Carless Capel 10p	[illegible]	[illegible]
174	F.P.	[illegible]	[illegible]	[illegible]	Grand Met 50p	[illegible]	[illegible]
25	Nil	[illegible]	[illegible]	[illegible]	Jenks & Cattell	[illegible]	[illegible]
50	F.P.	[illegible]	[illegible]	[illegible]	Press (Wm.) 10p	[illegible]	[illegible]
325	F.P.	[illegible]	[illegible]	[illegible]	Saatchi & Saatchi 10p	[illegible]	[illegible]
215	F.P.	[illegible]	[illegible]	[illegible]	Sketchley	[illegible]	[illegible]
25	F.P.	[illegible]	[illegible]	[illegible]	Young (H.)	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. [illegible]

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price pence	Day's change	Stock	Closing price pence	Day's change
BICC	293	−12	Inco Cont Gas	183	+ 7
Barratt Developments	278	+ 8	Intasun	123	− 1
Beecham	286	+ 7	Kenning Motor	61	+ 3
Charter Cons.	198	+10	P. & O. Deferred	146	+ 5
De La Rue	485	+30	RTZ	370	+ 5
Grand Met	233	+ 5	UDS	65	+ 4

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of price changes	Monday's closing price pence	Day's change	Stock	No. of price changes	Monday's closing price pence	Day's change
BAT Inds	14	423	+ 5	Royal Ins	10	335	[illegible]
GEC	13	998	+13	TI Group	10	108	+ 4
Glaxo	11	711	+ 7	Cable & Wire	9	298	+ 5
British Aero	10	235	+ 7	LRC Int	9	59	+ 4½
Eagle Star	10	358	+16	Pilkington	9	193xd	− 1½
Lonrho	10	78	+ 6	RTZ	9	365	+ 5
Racal Elect	10	447xd	+ 3	Shell Trans	9	382	+ 2

CURRENCIES and MONEY

Dollar improves

Dollar was slightly firmer against most major currencies in thin and erratic trading. The market was generally rather confused, with the downward trend in Eurodollar interest rates failing to prompt any large movement against the U.S. currency, despite the better money supply figures in the last two weeks.

Sterling remained firm against most currencies, despite the easier trend in London interest rates, but lost ground to the dollar.

The Argentine peso was devalued as part of an economic package resulting from the sharp deterioration in the economy. The commercial rate was set at 20,000 to the dollar, compared with about 15,700 previously. This rate applies to imports and exports, while a new financial rate, as yet unfixed, will apply to all other transactions.

DOLLAR — Trade-weighted index (Bank of England) 121.6 against 121.3 on Monday, and 107.2 six months ago. Three-month Treasury bills 12.65 per cent (11.50 per cent six months ago). Annual inflation rate 6.7 per cent (6.6 per cent previous month)—The dollar rose to DM 2.49 from DM 2.4775 against the D-mark; to FFr 6.9055 from FFr 6.8675 against the French franc; to SwFr 2.1210 from SwFr 2.1065 in terms of the Swiss franc; and to Y257.70 from Y257.20 against the Japanese yen.

STERLING — Trade-weighted index 91.2 against 91.2 at noon, 91.3 in the morning, 91.4 at the previous close, and 91.5 six months ago. Three-month interbank 12⅞ per cent (15⅜ per cent six months ago). Annual inflation 9.5 per cent (9.4 per cent previous month)—Sterling opened at $1.7295-1.7305, and traded within a range of $1.7200-$1.7330, before closing at $1.7220-1.7230, a fall of 75 points on the day. The pound rose to DM 4.29 from DM 4.2850; to FFr 11.89 from FFr 11.88; and to SwFr 3.6550 from SwFr 3.6450; but eased to Y444 from Y445.

D-MARK — EMS member (weakest). Trade-weighted index 124.5 against 124.7 on Monday, and 122.6 six months ago. Three-month interbank 9.525 per cent (10.55 per cent six months ago). Annual inflation 5.8 per cent (5.3 per cent previous month)—The D-mark showed a slightly firmertrend overall at the Frankfurt fixing, but lost ground to the dollar in very quiet trading. With no new factors to influence the market the dollar rose to DM 2.4839 from DM 2.4725, without any intervention by the Bundesbank. Sterling fell to DM 4.2860 from DM 4.2890, and the Swiss franc to DM 1.17295 from DM 1.1740.

FRENCH FRANC — EMS member (second strongest). Trade-weighted index 74.0 against 74.1 on Monday, and 80.8 six months ago. Three-month interbank 14⅞ per cent (14⅝ per cent six months ago. Annual inflation 13.8 per cent (13.9 per cent previous month) —The franc weakened against most major currencies at the Paris fixing, but improved slightly against the Swiss franc, which fell to FFr 3.2550 from FFr 3.2566. Sterling also eased to FFr 11.8970 from FFr 11.8980, but the dollar rose to FFr 6.8930 from FFr 6.8585. Within the EMS the D-mark rose to FFr 2.7751 from FFr 2.7750; the Dutch guilder to FFr 2.5110 from FFr 2.5102; and the Belgian franc to FFr 14.5290 per 100 francs from FFr 14.5165.

DUTCH GUILDER — EMS member (second weakest). Trade-weighted index was unchanged at 115.7 against 114.8 six months ago. Three-month interbank 9⁷⁄₁₆ per cent (10⅞ per cent six months ago). Annual inflation 6.4 per cent (6.6 per cent previous month)—The guilder declined against the dollar at the Amsterdam fixing, but rose against sterling and the Belgian franc. It showed mixed changes against th members of the EMS, with the Irish punt rising to Fl 3.8100 from Fl 3.8080, and the Danish krone to Fl 31.995 per 100 krone from Fl 31.94. On the other hand the D-mark fell to Fl 1.10495 from Fl 1.1054; the French franc to Fl 39.82 per 100 francs from Fl 39.845: and the Belgian franc to Fl 5.7850 per 100 francs from Fl 5.7860.

THE POUND SPOT AND FORWARD

July 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S	1.7200-1.7330	1.7220-1.7230	0.39-0.44c dis	−2.89	1.33-1.38dis	−3.15
Canada	2.2260-2.2390	2.2250-2.2260	0.78-0.83c dis	−4.34	2.44-2.49dis	−4.43
Nethlnd.	4.71½-4.75	4.73¼-4.74¼	1⅞-1⅝c pm	4.12	4¼-3⅞ pm	3.36
Belgium	81.75-82.05	81.75-81.85	10-20c dis	−2.20	57-67 dis	−3.03
Denmark	14.76-14.84	14.82-14.83	1⅞-2⅞ore dis	−1.92	9½-10⅞ dis	−2.72
Ireland	1.2440-1.2480	1.2465-1.2475	0.65-0.78p dis	−6.88	2.03-2.18dis	−6.75
W. Ger.	4.27½-4.30½	4.28¼-4.29¼	1⅝-1⅜pf pm	3.85	4-3½ pm	3.50
Portugal	144.50-146.50	144.90-145.40	80-265c dis	−14.26	220-765dis	−13.43
Spain	192.00-193.25	192.85-193.05	160-185c dis	−10.73	495-535dis	−10.68
Italy	2,402-2,412	2,407-2,409	14-17 lire dis	−7.72	49-53 dis	−8.47
Norway	10.96½-11.02	10.95¾-10.96¾	3½-4½ore dis	−4.24	10⅞-11⅞dis	−4.08
France	11.87-11.92	11.88¼-11.89¼	1½-2½c dis	−2.02	10-12 dis	−3.70
Sweden	10.59-10.64	10.60¼-10.61¼	1⅝-2⅞ore dis	−1.98	4⅞-5⅞ dis	−1.98
Japan	441-447	443½-444½	2.35-2.05y pm	5.95	6.10-5.80 pm	5.36
Austria	30.00-30.25	30.04-30.09	13½-10½gro pm	4.79	35½-29 pm	4.29
Switz.	3.63½-3.67½	3.65-3.66	3-2½c pm	9.03	7⅞-6⅞ pm	7.80

Belgian rate is for convertible francs. Financial franc 88.82-89.32. Six-month forward dollar 1.73-1.78c dis, 12-month 4.65-4.80c dis.

THE DOLLAR SPOT AND FORWARD

July 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7200-1.7330	1.7220-1.7230	0.39-0.44c dis	−2.89	1.33-1.38dis	−3.15
Ireland†	1.3858-1.3907	1.3870-1.3885	0.51-0.41c pm	3.98	1.30-1.18 pm	3.57
Canada	1.2915-1.2940	1.2920-1.2930	0.12-0.15c dis	−1.26	0.42-0.46dis	−4.09
Nethlnd.	2.7375-2.7515	2.7485-2.7515	1.65-1.55c pm	7.01	4.58-4.48 pm	6.62
Belgium	47.36-47.50	47.48-47.50	5c pm-7 dis	−0.76	1-3.5 dis	−0.19
Denmark	8.5600-8.6025	8.5975-8.6025	0.65-0.40ore pm	0.73	0.70-0.20 pm	0.21
W. Ger.	2.4750-2.4935	2.4895-2.4905	1.45-1.40pf pm	6.87	4.06-4.01 pm	6.48
Portugal	84.00-84.45	84.25-84.45	30-130c dis	−11.39	70-370 dis	−10.44
Spain	111.62-111.97	111.65-111.70	70-80c dis	−8.05	200-225 dis	−7.59
Italy	1,392¼-1,398¾	1,396¾-1,398¼	6-7 lire dis	−5.60	18-20 dis	−5.46
Norway	6.3420-6.3670	6.3575-6.3625	0.50-0.90ore dis	−1.32	1.50-1.90dis	−1.07
France	6.8750-6.9080	6.9030-6.9080	0.35-0.15c pm	0.43	0.70-1.20dis	−0.55
Sweden	6.1380-6.1600	6.1550-6.1600	0.60-0.40ore pm	0.98	1.80-1.60 pm	1.11
Japan	256.60-257.75	257.65-257.75	1.94-1.89y pm	8.85	5.47-5.37 pm	8.41
Austria	17.44½-17.49	17.44¾-17.45¾	11½-10½gro pm	7.48	32-29 pm	7.68
Switz.	2.1070-2.1220	2.1200-2.1220	2.12-2.02c pm	11.71	5.80-5.70 pm	10.84

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

July 6	Bank of England Index	Morgan Guaranty Changes%
Sterling	91.2	−32.2
U.S. dollar	121.6	13.4
Canadian dollar	85.5	−21.6
Austrian schilling	117.1	+26.8
Belgian franc	94.8	−1.6
Danish kronar	82.1	−14.4
Deutsche mark	124.5	+49.0
Swiss franc	144.9	+95.4
Guilder	115.7	+22.9
French franc	74.0	−20.1
Lira	55.5	−58.5
Yen	131.8	+25.5

Based on trade weighted changes from Washington agreement December, 1971. Bank of England index (base average 1975=100).

CURRENCY RATES

July 6	Bank rate %	Special Drawing Rights	European Currency Units
Sterling	—	0.630290	0.550764
U.S. $	12	1,08725	0.953647
Canadian $	16.58	N/A	1.22925
Austria Sch.	6¾	19.0062	16.6745
Belgian F	14	51.5009	45.1624
Danish Kr.	11	9.33295	8.16322
D mark	7½	2.70062	2.36218
Guilder	8	2.98504	2.61080
French Fr.	9½	7.49441	6.55490
Lira	19	1516.17	1328.91
Yen	5½	279.206	244.849
Norwgn. Kr.	9	6.91708	6.04899
Spanish Pts.	8	121.447	106.570
Swedish Kr.	10	N/A	5.85444
Swiss Fr.	5½	2.30312	2.01315
Greek Dr'ch.	20½	N/A	66.7698

*C$/SDR rate for July 5: N/A.

OTHER CURRENCIES

July 6	£	$		£ Note Rates
Argentino Peso	34,450	20,000	Austria	30.00-30.30
AustraliaDollar	1.6980-1.7000	0.9827-0.9832	Belgium	86.60-89.60
Brazil Cruzeiro	298.28-299.28	172.33-173.19	Denmark	14.75-14.89
Finland Markka	8.1837-8.1936	4.7430-4.7450	France	11.83-11.93
Greek Drachma	120.044-120.494	69.20-69.70	Germany	4.26½-4.30½
Hong Kong Dollar	10.2115-10.2245	5.9095-5.9832	Italy	2360-2400
Iran Rial	146.45	84.40	Japan	444-449
KuwaitDinar(KD)	0.4952-0.4961	0.2874-0.2877	Netherlands	4.71¼-4.75¼
Luxembourg Fr.	81.75-81.85	47.48-47.50	Norway	10.92-11.02
Malaysia Dollar	4.2835-4.2900	2.3610-2.3630	Portugal	142½-158
New Zealand Dlr.	2.3355-2.3395	1.3519-1.3532	Spain	184½-193¾
Saudi Arab. Riyal	5.9270-5.9325	3.4400-3.4410	Sweden	10.55-10.66
Singapore Dollar	3.71¼-3.72¼	2.1510-2.1550	Switzerland	3.63¾-3.67¾
Sth.African Rand	1.9856-1.9896	1.1505-1.1518	United States	1.71½-1.73½
U.A.E. Dirham	6.3265-6.3340	3.6720-3.6740	Yugoslavia	81-95

* Selling rate.

†Rate shown for Argentine is commercial. Financial rate not available.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU July 6	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9704	45.1624	+0.43	+0.26	±1.5501
Danish Krone	8.23400	8.16322	−0.86	−1.03	±1.6430
German D-Mark	2.33379	2.36218	+1.22	+1.05	±1.0888
French Franc	6.61387	6.55490	−0.89	−1.06	±1.3940
Dutch Guilder	2.57971	2.61080	+1.21	+1.04	±1.5004
Irish Punt	0.691011	0.686324	−0.68	−0.85	±1.6691
Italian Lira	1350.27	1328.91	−1.58	−1.58	±4.1369

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

July 6	Pound St'rling	U.S. Dollar	Deutschem'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1	1.723	4.288	444.0	11.89	3.655	4.738	2408.	2.226	81.80
U.S. Dollar	0.581	1.	2.489	257.8	6.904	2.122	2.750	1398.	1.292	47.49
Deutschemark	0.233	0.402	1.	103.6	2.774	0.852	1.105	561.6	0.519	19.08
Japanese Yen 1,000	2.252	3.880	9.657	1000.	26.78	8.232	10.67	5423.	5.012	184.2
French Franc 10	0.841	1.448	3.605	373.3	10.	3.073	3.984	2025.	1.871	68.78
Swiss Franc	0.274	0.471	1.173	121.5	3.254	1.	1.296	658.8	0.609	22.38
Dutch Guilder	0.211	0.364	0.905	93.72	2.510	0.772	1.	508.3	0.470	17.27
Italian Lira 1,000	0.415	0.715	1.781	184.4	4.939	1.518	1.967	1000.	0.924	33.97
Canadian Dollar	0.449	0.774	1.927	199.5	5.344	1.642	2.129	1082.	1.	36.76
Belgian Franc 100	1.232	2.106	5.241	542.8	14.54	4.468	5.792	2944.	2.721	100.

FT LONDON INTERBANK FIXING (11.00 a.m. JULY 6)

3 months U.S. dollars		6 months U.S. dollars	
bid 15 11/16	offer 15 15/16	bid 15 15/16	offer 16 1/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rate for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

July 6	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short term	12⅝-12⅞	14¾-15	15½-16½	8⅞-9	2½-3	8⅛-8¼	14¾-15¼	18-20	13-15	14-14¼	6¼-6⅛	12¼-13¾
7 day's notice	12⅝-12⅞	14⅞-15⅛	16-17	8⅝-8⅞	2½-3	8⅝-8½	14½-15¼	18⅝-20	14-15	15-15¼	6⅝-6⅛	14½-16
Month	12⅜-12⅝	16⅛-16⅛	16⅛-16⅝	8⅞-8½	4⅛-4⅛	8⅞-9⅛	14¾-15¼	19¾-20½	15¼-15⅝	15⅛-15⅛	6⅞-7	16½-17
Three months	12⅛-12⅜	16⅛-16⅛	17⅛-17⅛	8⅞-9	4⅛-4⅞	9-9⅛	16¼-16¾	20¾-21⅝	15¾-16⅛	15⅛-15½	7⅛-7¼	16-17½
Six months	12⅜-13⅛	15⅞-16⅛	17⅝-17⅜	9⅛-9⅛	5⅛-5⅞	9¼-9⅝	17½-18	21½-22	16⅛-16⅝	15⅛-15½	7⅛-7⅛	17-18½
One Year	12⅛-12⅞	15⅞-15⅜	17⅝-17⅜	9⅝-9½	5⅛-5⅞	9¼-9⅝	18½-18⅝	22⅛-22¾	15⅞-16⅝	15⅛-15⅝	7⅛-7¼	17⅝-19⅛

SDR linked deposits: one month 12⅝-12⅞ per cent; three months 12⅝-13⅛ per cent; six months 13⅛-13½ per cent; one year 13⅟₁₆-13⅞ per cent.

ECU linked deposits: one month 12⅝-12⅞ per cent; three months 12¹¹⁄₁₆-13⅟₁₆ per cent; six months 13⅛-13½ per cent; one year 13⅝-13⅞ per cent.

Asian $ (closing rates in Singapore): one month 15⅝-15⅞ per cent; three months 15¹¹⁄₁₆-15¹⁵⁄₁₆ per cent; six months 15¹⁵⁄₁₆-16⅟₁₆ per cent; one year 15¹¹⁄₁₆-15¹⁵⁄₁₆ per cent. Long-term Eurodollar two years 15⅞-16⅛ per cent; three years 15⅞-16⅛ per cent; four years 15⅞-16⅛ per cent; five years 15⅞-16⅛ per cent; nominal closing rates. Short term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two days' notice.

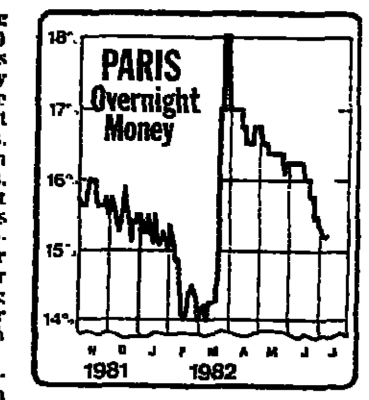
The following rates were quoted for London dollar certificates of deposit: one month 15.05-15.15 per cent; three months 15.25-15.35 per cent; six months 15.40-15.50 per cent; one year 15.40-15.50 per cent.

MONEY MARKETS

Bank cuts dealing rates

UK clearing bank base lending rate 12½ per cent (since June 8)

There was a mood of cautious optimism in the London money market yesterday over the increasing possibility of a cut in clearing bank base rates. This followed a reduction in Bank of England dealing rates, where ⅛ of a point was cut from band 3 and 4 Period rates reflected the fall with three-month interbank at 12¼-12½ per cent compared with 12⅝-13 per cent and three-month sterling CDs quoted at 12¼-12½ per cent compared with 12⅝-12⅞ per cent.



The Bank of England forecast a shortage of £250m with factors affecting the market including bills maturing in official hands and a net take up of Treasury bills −£182m and Exchequer transactions −£190m. On the other hand there was a fall in the note circulation of £60m. The Bank revised its forecast to a shortage of around £300m and gave assistance in the morning of £182m, comprising purchases of £17m of eligible bank bills in band 1 (up to 14 days) at 12½ per cent, £34m in band 2 (15-33 days) at 12½ per cent and £46m in band 3 (34-63 days) at 12⅜-12½ per cent. In band 4 (64-91) it bought £5m of local authority bills at 12⅛ per cent and £80m of eligible bank bills (64-84 days) at 12⅛ per cent.

Further assistance was given in the afternoon of £69m, making a grand total of £251m. The afternoon help was made up of purchases of £58m eligible bank bills in band 2 at 12½ per cent, £3m in band 3 at 12⅜ per cent and £8m in band 4 at 12⅛ per cent.

In Frankfurt the Bundesbank added further liquidity to the market through currency swaps, having injected some DM 1½bn on Monday in the same way. However call money remained firm, still reflecting the unwinding of a DM 6.1bn repurchase agreement. The amount of help given yesterday was not specified by the authorities. Call money was quoted at 9.00-9.10 per cent.

In Paris the Bank of France cut its money market intervention rate to 14¾ per cent from 15 per cent when buying about FFr 3bn of first category paper from the market. This is its lowest rate since March.

EUROCURRENCIES

$ rates fall

Eurodollar rates continued to fall yesterday as the market awaited U.S. reaction to the latest money supply figures released on Friday. While a mood of cautious optimism may have been detectable with regard to lower interest rates, the market seemed unlikely to adopt any positive trend in view of expected distortions in money supply in the next few weeks and without any firm direction from the Federal authorities.

European interest rates were slightly weaker overall and this, together with an improved performance by the dollar in the spot market, saw the dollar weaken a little in forward trading despite lower Eurodollar rates.

Elsewhere Euro-French franc rates were easier, reflecting further reductions in French domestic rates as the franc maintained its recent steady performance within the European Monetary System.

MONEY RATES

NEW YORK	
Prime rate	16½
Fed funds (lunch-time)	14½-14¾
Treasury bills (13-week)	12.65
Treasury bills (26-week)	12.96
GERMANY	
Lombard	9.00
Overnight rate	9.05
One month	9.45
Three months	9.55
Six months	9.65
FRANCE	
Intervention rate	15
Overnight rate	15.25
One month	14.8125
Three months	14.8125
Six months	12.6875
JAPAN	
Discount rate	5.5
Call (unconditional)	7.15625
Bills discount (three-month)	7.28125

LONDON MONEY RATES

July 6 1982	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	12-14	—	—	—	12½	11½-12½	—	—	—
2 days notice	—	—	12½-12⅝	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	12⅜-12½	12⅝	—	—	12⅝	12½	—	—	—
One month	12⅜-12⅜	12⅜-12⅜	12½	—	12⅝	12½	12⅜-13	—	12½	12⅞
Two months	12⅜-12⅜	12⅜-12⅜	—	13⅛-13	—	—	12⅝	—	—	—
Three months	12⅜-12⅜	12⅜-12⅜	12½	13⅛-13	12⅝	12½	—	12⅛	12⅛	12⅝
Six months	12⅜-12⅜	12⅜-12⅜	—	13⅛-12⅞	—	—	—	—	11⅞-11⅞	12
Nine months	12⅜-12⅜	12⅜-12⅜	—	13⅛-13	—	—	—	—	—	—
One year	12⅜-12⅜	12⅜-12⅜	—	13⅛-12⅞	13⅛	—	—	—	—	—
Two years	—	—	—	13⅛	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 13⅝ per cent; four years 13⅞ per cent; five years 13⅞ per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 12⅜-12⅝ per cent; four months trade bills 12⅞ per cent.

Approximate selling rate for one month Treasury bills 12¼-12⅜ per cent; two months 12⅜-12⅝ per cent; three months 12⅛-12⅜ per cent. Approximate selling rate for one month bank bills 12⅝ per cent; two months 12⅝ per cent and three months 12⅝ per cent; one month trade bills 12⅞ per cent; two months 12⅞ per cent; three months 12¾ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 13½ per cent from July 1 1982. London and Scottish Clearing Bank Rates for lending 12½ per cent. London Clearing Bank Deposit Rates for sums at seven days' notice 9¾ per cent. Treasury Bills: Average tender rates of discount 12.2813 per cent. Certificates of Tax Deposit (Series 5) 13¾ per cent from June 30. Deposits withdrawn for cash 11 per cent.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED TRUSTS

[illegible]

INSURANCES

Abbey Life Assurance Co. Ltd.
1-3 St. Paul's Churchyard, EC4P 4DX. 01-248 9111

Property Fund	228.5	240.4	+0.1	—
Equity Fund	48.5	51.1	+0.7	—
Property Acc.	267.8	281.9	+0.2	—
Equity Acc.	48.0	50.6	+0.7	—
Selective Fund	146.4	154.2	+1.2	—
Money Fund	167.4	176.3	+0.3	—
Convertible Fund	179.6	189.1	+0.3	—
Prop. Fd. Ser. 4	210.9	222.1	+0.1	—
Equity Ser. 4	54.1	57.0	+0.7	—
Man. Ser. 4	197.6	208.0	+1.4	—
Money Ser. 4	151.9	159.9	+0.2	—
Conv. Ser. 4	152.0	160.0	+0.2	—
Fixed Int. Fd. Ser. 4	118.3	124.6	+0.9	—
American Ser. 4	106.0	111.7	—	—
High Inc. Ser. 4	115.8	121.9	+1.0	—
Indexed Inv. Series 4	96.9	102.1	+0.3	—
Pension Property	319.5	336.4	+0.3	—
Pension Equity	290.1	294.9	+4.3	—
Pension Selective	147.9	155.7	+1.7	—
Pension Managed	294.1	309.6	+2.4	—
Pension Security	223.8	235.6	+0.5	—
Pension Fixed Int.	115.6	121.7	+0.8	—
Pension Indexed Inv.	97.1	102.3	+0.3	—

Albany Life Assurance Co. Ltd.
31, Old Burlington St., W.1. 01-437 5962

Equity Fd. Acc.	315.2	331.8	+1.2	—
Fixed Int. Acc.	197.5	207.9	+1.4	—
Gtd. Money Fd. Ac.	156.7	165.1	+0.1	—
Intl. Man. Fd. Acc.	139.3	146.6	-1.2	—
Intl. Fxd. Int. Fd.	107.4	113.2	+0.1	—
Prop. Fd. Acc.	154.5	162.9	—	—
M'ple Inv. Acc.	246.8	259.7	+0.3	—
Equity Pen. Fd. Acc.	431.5	454.2	+2.0	—
Fixed I. Pen. Acc.	318.6	335.4	+3.1	—
G'td. Mon. Pen. Acc.	217.9	229.3	+0.2	—
Intl. Mn. PnFdAcc.	160.6	169.0	-1.3	—
Prop. Pen. Acc.	210.7	221.7	—	—
M'ple Inv. Pen. Acc.	357.2	376.0	+0.7	—

AMEV Life Assurance Ltd.

Crown Life—Continued

St. George Mangd. Fd.	110.2	116.0	+0.2	—
Lines & Gen. Fd.	116.1	122.2	-3.6	—
Sage Fd.	84.5	88.9	-1.7	—
Heritage Fd.	98.3	103.4	—	—
DBS Managed	103.4	108.8	-0.7	—
Crown. Brit. Inv. A	217.2		—	—
Pens. Mixed. Fd.	146.7	154.0	—	—
Pens. Mang'd. Acc.	109.4	115.1	—	—
Pens. Mang'd. Init.	105.3	110.8	—	—
Pens. Equity Acc.	99.1	104.3	—	—
Pens. Equity Init.	95.1	100.1	—	—
Pens. Fxd. Int. Acc.	108.1	113.7	—	—
Pens. Fxd. Int. Init.	104.1	109.5	—	—
Pens. Money Acc.	109.2	114.9	—	—
Pens. Money Init.	104.9	110.4	—	—

Crusader Insurance PLC
Tower Hse., 38 Trinity Sq., EC3N 4DJ. 488 2323

Growth Prop. July 6	107.1	111.2	—	—
Managed Pens. July 1	117.24	123.41	—	—

Eagle Star Insur./Midland Assur.
1, Threadneedle St., EC2. 01-588 1212

Eagle/Mid. Units	77.7	80.8	+1.1	6.17

Equity & Law Life Ass. Soc. Ltd.
Amersham Road, High Wycombe. 0494 33377

UK Equities Fund	185.2	194.9	+2.1	—
Higher Inc. Fund	119.3	125.5	+1.2	—
Property Fund	192.2	202.3	+0.1	—
Fixed Interest Fund	142.5	150.0	+0.7	—
Index Linked Secs Fnd.	93.5	98.4	-0.2	—
Gtd. Deposit Fund	136.9	143.8	+0.2	—
Nth. America Fund	104.3	109.7	+0.4	—
Far East Fund	81.3	85.5	-0.6	—
International Fund	96.0	101.0	+0.1	—
Mixed Fund	165.9	174.6	+0.8	—

Equity & Law (Managed Funds) Ltd.
Amersham Road, High Wycombe. 0494 33377

Ind. Pen. Equity	194.2	204.4	—	—
Ind. Pen. Property	144.1	151.6	—	—
Ind. Pen. Fixed Int.	138.4	145.6	—	—
Ind. Pen. Indx Lk. Scs.	102.9	108.3	—	—
Ind. Pen. Overseas	145.0	152.6	—	—
Ind. Pen. Cash	135.5	142.6	—	—

INSURANCE & OVERSEAS MANAGED FUNDS

OFFSHORE AND OVERSEAS

NOTES

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked & Variable Rate

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Public Board and Ind.

LOANS—Continued

Financial

Building Societies

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS AND HIRE PURCHASE

BANKS & H.P.—Cont.

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

CHEMICALS, PLASTICS—Cont.

DRAPERY AND STORES

ELECTRICALS

ENGINEERING MACHINE TOOLS

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INSURANCE

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LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

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NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

PROPERTY—Continued

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SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

MINES—Continued

Central African

1982 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
120	75	Falcon Rh.50c	80	......	Q25c	10.3	23.3
33	20	Wankie Col. Z$1	20	......	Q3c	1.2	12.1
21	12	Zam.Cpr.SBD0.24	14	......	—	—	—

Australian

1982 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
23	10	ACM 20c	12	+½	—	—	—
7	1½	Argosy Gold NL 25c	2½	......	—	—	—
151	62	Bond Corp.	62	−2	Q010c	2.3	10.3
82	58	Bougainville I Kina	64	......	Q6½c	1.2	6.2
192	147	CRA 50c	162	−2	Q5c	—	1.8
16	10	Carr Boyd 20c	13	......	—	—	—
56	22	Central Pacific	29	−1	—	—	—
380	152	Crusader Oil	255	......	—	—	—
26	10	Cultus Pacific N.L.	11	......	—	—	—
27	14	Eagle Corp. 10c	17	−1	—	—	—

Tins

Miscellaneous

1982 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
40	20	Anglo-Dominion	22	......	—	—	—
16½	12	Burma Mines 10p	12½	......	0.55	1.8	6.3
130	27	Colby Res. Corp.	44	−3	—	—	—
292	170	Cons. Murch. 10c.	170	......	‡Q60c	1.9	‡
8	4	‡‡Explaura Gold	4	......	—	—	—
105	55	Highwood Res.	60	......	—	—	—
255	160	Northgate C$1	160	−10	—	—	—
468	344	R.T.Z.	370	+5	16.0	2.1	6.2
£108½	£84	Do.9½%Cnv.Ln.'95-2000	£90½	+1½	Q9½%	30.0	(10.5
20	11	Sabina Inds. C$1	12	......	—	—	—
44	27	‡Southwest C. 10p	32	......	—	—	—
500	270	Tara Exptn. $1	290	+5	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ◆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 163(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganization in progress.
- ◆ Not comparable.
- ◆ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.
- ♥ Rate applicable to non-Zimbabwean residents.
- ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend; cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1983-84. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1982-83. P Figures based on prospectus or other official estimates for 1982. R Gross. T Figures assumed. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL AND IRISH STOCKS

The following is a selection of regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −
Albany Inv. 20p	40	......
Bertrams	17#	......
Bdg'wtr. Est. 50p	410	......
Craig & Rose £1	£12½xd	......
Finlay Pkg. 5p	26	......
Graig Ship. £1	£24	......
Higsons Brew	87	......
Holt (Jos) 25p	849	−20
I.O.M. Stm. £1	108	......
Pearce (C. H.)	£10	......
Peel Hldgs.	151	+4
Sheff. Refrshmt	79	......
Sindall (Wm.)	220	+5

IRISH

Stock	Price	+ or −
Conv. 9% '80/82	£98½	+⅛
Nat. 9¾% 84/89	£66½	......
Fin. 13% 97/02	£74¼	......
Alliance Gas	80	......
Arnott	195	......
Carroll (P.J.)	71	......
Concrete Prods.	50	......
Helton (Hldgs.)	17	−1½
Irish Ropes	141½	......
Jacob	63	......
T.M.G.	3	......
Unidare	45	......

OPTIONS

3-month Call Rates

Industrials

Stock	Rate
Allied-Lyons	8
BOC Intl.	15
B.S.R.	8½
Babcock	10
Barclays Bank	42
Beecham	21
Blue Circle	48
Boots	19
Bowaters	24
Brit. Aerospace	17
B.A.T.	38
Brown (J.)	7
Burton Ord.	15
Cadburys	9
Courtaulds	8
Debenhams	7
Distillers	15
Dunlop	6½
Eagle Star	31
F.N.F.C.	4
Gen. Accident	28
Gen. Electric	65
Glaxo	42
Grand Met.	17
G.U.S. 'A'	45
Guardian	25
G.K.N.	15
Hawker Sidd	30
House of Fraser	15
I.C.I.	24
"Imps"	8
I.C.L.	5½
Ladbroke	15
Legal & Gen.	19
Lex Service	10
Lloyds Bank	42
"Lofs"	6½
London Brick	7
Lucas Inds.	20
"Mams"	12
Mrks. & Spncr	12
Midland Bank	30
N.E.I.	9
Nat. West. Bank	38
P & O Dfd.	14
Plessey	32
Racal Elect.	35
R.H.M.	6½
Rank Org. Ord.	20
Reed Intnl.	26
Sears	6
T.I.	13
Tesco	5½
Thorn EMI	42
Trust Houses	12
Turner & Newall	11
Unilever	55
Utd. Drapery	7
Vickers	16
Woolworths	5

Property

Stock	Rate
Brit. Land	7½
Cap. Counties	18
Land Secs.	28
MEPC	20
Peachey	14
Samuel Props.	11
Town & City	3½

Oils

Stock	Rate
Brit. Petroleum	26
Burmah Oil	10
Charterhall	6
KCA	14
Premier	6
Shell	30
Tricentrol	22
Ultramar	38

Mines

Stock	Rate
Charter Cons.	25
Cons. Gold	45
Lonrho	7
Rio T. Zinc	42

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 33

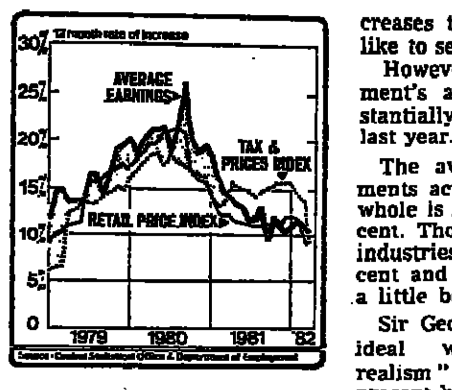
FINANCIAL TIMES
Wednesday July 7 1982

CHANCELLOR SIGNALS TOUGH LINE AS NUM DELEGATES AGREE ON CLAIM FOR £115 MINIMUM

Howe seeks lower wage rises

BY PHILIP BASSETT, LABOUR CORRESPONDENT

THE GOVERNMENT is likely to abandon the practice of setting specific pay limits for the public services in the coming wage round as part of its efforts to convince workers of the need for substantially lower pay settlements.



While no formal decision has been taken, the Government is expected to break with its practice of announcing in the late autumn separate pay and price factors in the cash limits it applies to central and local government and the health service.

It announced a cash limit pay increase provision of 4 per cent for this year and 6 per cent for 1981.

Public service settlements of between 6 and 7.5 per cent have been contained within the 4 per cent overall limit on increased spending on pay by offsetting job reductions and other measures.

The decision not to announce a separate pay factor this year might appear to some as an acknowledgement by the Government that powerful unions have succeeded in treating previous figures as a norm to exceed. But the greater flexiblity provided by not revealing its negotiating hand too early, fits in with a tough line on pay signalled yesterday by Sir Geoffrey Howe, Chancellor of the Exchequer.

At a Press conference in London, Sir Geoffrey refused to put a figure on the level of increases the Government would like to see in the coming round.

However, he said the Government's approach "means substantially lower pay rises than last year."

The average level of settlements across the economy as a whole is running at about 7 per cent. Those in the nationalised industries are at about 7½ per cent and in the public services a little below that.

Sir Geoffrey said that, in an ideal world "sanity and realism" in the face of the present high level of unemployment "might well mean no pay increases at all. This would provide the fastest route to higher employment."

He acknowledged that creating more jobs meant planning for "very low pay rises indeed." Workers had not "earned a passage off the hook" simply through two years of relative pay restraint. Falling pay settlements had not meant a fall in real earnings, because inflation had gone down.

The Government is clearly keen to try, if possible, to get away from the idea of an annual wage round, and annual settlements. A key support in this will be the report of the Megaw inquiry into civil service pay, published today, which recommends major pay reviews once every four years.

Criticising a pay system which for many workers "is expected to provide an automatic increase, delivered, as it were, with the milk," Sir Geoffrey said the Government needed to say to workers: "Forget about the sort of huge leap-frogging percentage increases you've had in years past. That era has gone forever.

"To protect your job, to preserve the jobs of those you work with or who use your product, and to provide new jobs for those who are out of work, accept a lower increase this year than you had last year."

Labour news, Page 12

Miners vow to fight for 31% pay demand

B John Lloyd, Labour Editor

BRITAIN'S mineworkers are committed to fight for a wages and conditions package which includes a pay demand of 31 per cent and carries with it a multiple threat of strike action if negotiations break down.

Mr Arthur Scargill, president of the National Union of Mineworkers, said at the union's annual conference in Inverness yesterday that a campaign for the claim must be carried to the coalfields through pithead meetings, rallies and an expanded edition of the union's newspaper.

He warned: "If our membership rejects us, it will be seen as a green light to the board and Government not only to refuse our wages claim but to attack pits, jobs and standards of life."

The union also took a step towards bringing in five-yearly elections of officials, replacing the present system of election for life.

The composite resolution on wages, overwhelmingly passed, would bring the basic minimum of paid surface workers up from £87.80 to £115, a 31 per cent increase. All other grades would receive commensurate flat rate increases.

The flat rate element means that the £27.20 increase for lower paid workers would also be paid right up to the top grade. It would bring the highest-paid face workers' minimum up from £121.55 to £148.75. The National Coal Board reckons the cost of a 31 per cent increase on all grades at £420m. However, the flat rate claim would mean a cost of around £400m.

Other resolutions passed include demands that miners' wages, which tend to peak in middle age, will be maintained when they move to less demanding work off the coal-face, and that surface workers move to the same early retirement age—60—as coalface workers.

All of these demands are backed by threats of industrial action. The wages claim calls for a special delegate conference to be convened if the claim is refused followed by an immediate overtime ban and a recommendation to miners that they vote in a ballot for a strike or other union.

The union's negotiators will attempt to draw up a wages package for the union's executive on July 15. If approved, it will be presented immediately to the Board. Mr Scargill said that negotiations would be deemed to have begun as soon as the claim was presented.

Mr Scargill's new model union, Page 23

THE LEX COLUMN

Just a whiff of cheaper money

Index rose 5.6 to 554.0

Tiny reductions in the Bank of England's bill dealing rates continue to titillate the financial markets, but there was not much excitement in the June money supply indication. A ¾ per cent rise in sterling M3—which the miners have unaccountably ignored in framing their pay curbs—did not satisfy the gilt-edged market's best hopes. The U.S. bond market, re-opening after Independence Day, was less enthusiastic about recent U.S. money figures than London had been on Monday.

Still, the markets have got the feeling that the authorities, as so often before, would quite like to see interest rates slightly lower. Bank lending was again not far short of £1bn in banking June, but the Bank of England bulletin more or less rules out any increase in rates to combat this, for fear of choking off the recovery—and inded yesterday's vehicle production figures point to some faltering in activity. No doubt the Bank will let the markets know when it thinks rates are low enough.

Granada

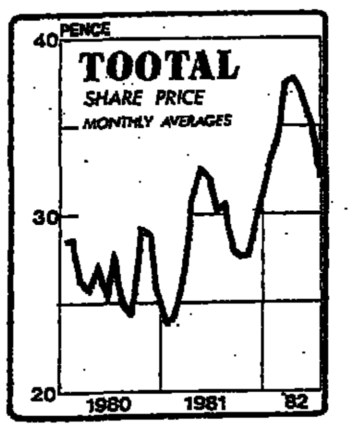
The video revolution is proving a mixed blessing for Granada. Increased spending on rental assets has pushed up depreciation and interest charges far enough to eliminate an 11.4 per cent gain in operating profits during the half year to mid-April. At the pre-tax level, profits are down 2.3 per cent to £23.9m and the group is warning shareholders of a similar downturn for the year as a whole.

Granada's cash outflow this year could be close to £40m, enough to leave net borrowings at over 35 per cent of shareholders' funds. Unfortunately, this cost is being borne at a time when other businesses are failing to fire on all cylinders. Property profits are down, as Granada seeks tenants for its City sites, while the benefit of buoyant TV advertising revenue is being partially offset by the cost of preparing for channel 4—the group is likely to charge about £5.6m against its revenue account this year.

Bingo earnings are starting to recover and the U.S. Telerent business is inching its way towards profit but negative cash flow will remain a feature of Granada's performance for a while yet. In the meantime, the share price of 189p produces a prospective yield of 4 per cent.

FFI

Finance for Industry's report and accounts provide little



detailed information about the performance of its investments, or where last year's sizeable bad debt provisions have been made, but there is a wealth of data about the structure of its liabilities.

According to the inflation adjusted accounts, fixed rate debt comprising roughly half of FFI's £950m of monetary liabilities at the end of March. A good portion of this is very cheap, though none as attractive as the 3 per cent mortgages extended to staff members, and offers a useful endowment income. Increasingly, however, the company is redeeming fixed-rate eurodollar debt ahead of time and taking the book profit to reserves.

By covering itself on the foreign exchange market, FFI finds that it can refinance the debt in dollars and convert the proceeds into sterling to produce a total cost of funds as attractive as that available to the oGvernment Broker. To judge from the yield on its quoted bonds, FFI would have to pay about 60 basis points above a comparable gilt-edged yield to obtain the money direct. FFI's shareholders, mainly the clearing banks, are obviously impressed by this financial showmanship. They are about to subscribe another £15m of equity capital.

Tootal

The breakdown of Tootal's plans to sell its Australian associate Bradmill is a serious nuisance for the company and a further blot on Australia's wretched record of dealing with foreign investors — for sheer bloody - mindedness almost matching Canada.

Tootal has for some time held just under half of Bradmill, and has not been allowed to take control. It has a lot of capital tied up in a business from which it derives very little cash flow, and which is threatened by the growing possibility that Australian tariff barriers might be lowered to the benefit of Far Eastern textile manufacturers. It had found a satisfactory solution under which the local company Bruck was willing to buy it out, take over its Australian trademarks and bid for the rest of the company on the same terms.

The newly-formed National Companies and Securities Commission challenged the deal, claiming that Tootal was receiving more favourable terms than the other Bradmill shareholders. In essence this was a quibble about the value of trademarks, which has gone on for so long that Tootal, believing it is damaging to Bradmill's business, has called the whole thing off.

It will thus not receive the promised £24m cash—a very important injection to a company with £70m of net debt in January (against £133m of equity), and an interest charge that swallows half its trading profit. At 32p, down 1p yesterday and 9p since the figures came out in May, Tootal shares yield 10¼ per cent.

CCA

The Aslef spirit is alive and well in the accountancy profession, which according to early voting returns is supporting (by a small margin) the resolution from its militant Burgess Hill branch calling for the abandonment of current cost accounting, the so-called "flexible auditing." The accountants, many of whom are believed to have mortgage commitments, are thus defying their Moorgate-based executive and voting for the historic 1919 "pound is a pound" agreement.

Support for the executive was most noticeable in the larger depots such as Millbank where some accountants were crossing picket lines in order to apply cost of sales adjustments as usual. In contrast some provincial audits were at a standstill. A general modest increase in fares may even be on the way to cover the cost of the long-running dispute.

Much may still depend on the last-minute influence of the "Big 8" signalmen who control enormous stretches of the auditing network. Meanwhile some of the profession's biggest customers are wondering whether reactionary accountants are the best people to design their own working practices.

Ban on sale of Bradmill share stake

By Anthony Moreton, Textiles Correspondent

THE National Companies and Securities Commission, Australia's corporate watchdog has after its first public hearing, blocked a move by Tootal to sell its 49.9 per cent holding in its associate Bradmill Industries textile group, to another Australian company.

Tootal, the Manchester-based textile concern, announced last December that it had agreed to sell its shareholding to Bruck (Australia) another textile concern for A$39.8m (£23.4m).

Last night the British company said it was "very disappointed" at the decision, which ties it to the Australian company for some time.

Mr A. Tyldesley, a director of Tootal, said the sale would have helped in the rationalisation of the Australian textile industry. The companies had put a lot of time and effort into setting up the deal.

Tootal, which bought its stake in Bradmill for A$18.5m in 1978, has reorganised its own operations in Australia by putting all its interests except those of threads and non-woven fabrics into the company.

But it has grown disenchanted by the Australian authorities' attitudes towards tariff protection.

Recent moves have suggested that tariff barriers may be reduced, opening up the possibility of an inflow of cheap clothes from the low-cost Far Eastern suppliers such as Taiwan, Singapore, Indonesia, Hong Kong and Malaysia.

The company has also been disappointed at Bradmill's dividend policy. Bradmill has been spending on new capital projects, which has kept the dividend lower than Tootal would have liked.

Tootal has recently undergone a rationalisation of its operations, particularly in the UK, where the workforce has fallen from 20,000 to 9,500 since 1978-79.

Some indication of the muscle Tootal will put on Bradmill came with the announcement that Bradmill's chairman, Sir Norman Young, is retiring, having reached the age of 70, and would be succeeded by a former Tootal director, Mr R. E. Hartley, who went to live in Australia and became a director of Bradmill. He is to be the full-time executive chairman of the Australian company.

Hopes of cut in interest rates boosted by money supply cheer

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

OFFICIAL figures suggesting that monetary growth in the UK is now well within its target range yesterday raised hopes on the money markets that interest rates may soon be cut.

The Bank of England's estimate of the money supply in mid-June suggests that, in the four months since mid-February, the three principal indicators have expanded at rates well within the Government's target of an annual 8 to 12 per cent.

The London clearing banks' figures, also published yesterday, suggest that the rate of increase in their lending to the private sector may have moderated in June.

Bank lending to the private sector was increasing at about £1.8bn a month between October and April. However, the latest figures suggest that the increase in May and June may have fallen to about £1bn a month.

In the banking month of June the London banks' advances to the private sector increased by £498m, which they say suggests an underlying rise of about £700m. When the full banking figures become available next week the total increase in private-sector lending is expected to be about £1bn or a little less.

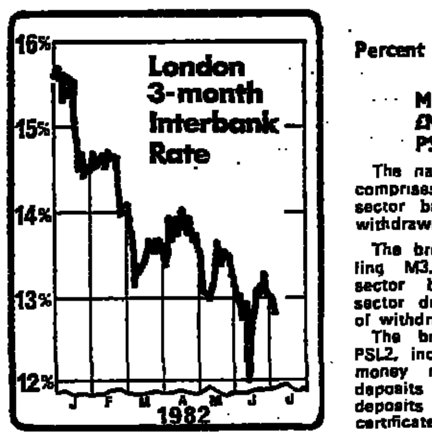
The money markets reacted yesterday by reducing interest rates, with the three-month interbank rate down ¼ point to 12 11/16 per cent. In spite of continuing uncertainties about U.S. interest rates and a rise in the exchange rate of the dollar in London, three-month eurodollar interest rates eased ¼ point to 15⅛ per cent. The pound finished in London down ¾ cent at $1.7225.

The City generally believes that British domestic indicators point to a moderate cut in bank base rates. The annual inflation rate has been falling, public borrowing appears under control and sterling has been steady. At the same time the Government will be anxious to give the economy any stimulus possible, to help it out of the present recession.

The authorities, however, remain cautious about the trend of U.S. interest rates and their possible effects on sterling. It seems unlikely, therefore, that any strong signals will be given for a downward movement, although the authorities may give a gentle nudge to any falling trend in the markets.

Yesterday the Bank of England followed market rates down by lowering its dealing rates by 1/16 point for longer term bills to b etween 12 3/16 per cent to 12 5/16 per cent.

The Bank's preliminary estimate for monetary growth in the month to mid-June suggests sterling M3 rose by ¾ per cent, private sector liquidity (PSL2) by ¼ per cent and M1 by 2 per cent.



MONEY SUPPLY
Percent increases February to June at annual rate

M1	6½
£M3	9½
PSL2	9

The narrow measure of money, M1 comprises notes and coins and private sector bank deposits which can be withdrawn without notice.

The broad measure of money, sterling M3, includes M1 plus public sector bank deposits and private sector deposits which require notice of withdrawal.

The broadest measure of money, PSL2, includes sterling M3 plus other money market instruments, savings deposits and securities (including deposits with building societies) and certificates of tax deposit.

OECD forecast gloomier

BY DAVID HOUSEGO IN PARIS AND MAX WILKINSON

A SLOW and hesitant economic recovery among industrialised nations this year and next, accompanied by further rises in unemployment, is forecast by the Organisation for Economic Co-operation and Development.

In its half-yearly review, the OECD secretariat paints a gloomy picture of output within the 24 nation group—rising by only 0.5 per cent this year and 2.5 per cent next year. Last December, it expected growth to pick up in the second half of this year to an annual rate of more than 3 per cent.

It now sees unemployment rising to almost 32m, or 9 per cent of the OECD labour force, in the first half of 1983 compared with its earlier prediction that the number of jobless would level out at 28.5m this year.

The OECD's forecast for the growth of the UK economy is significantly more pessimistic than that prepared three months earlier by the Treasury.

The OECD suggests that UK output wil grow by about 1.25 per cent this year, compared with the Treasury's March estimate of 1.5 per cent.

More importantly, the OECD expects the annual rate of growth to falter in the first half of next year after reaching 2 per cent in the second half of this year.

The Treasury, by contrast believes there will be a steady pick up of activity as inflation is brought under control. Its March projection suggested growth of 2 per cent in the first half of next year compared with the OECD's 1.5 per cent.

The OECD endorses the Treasury view that the annual inflation rate will be reduced to about 7.5 per cent by the first half of next year, although it is more sceptical about the consequences for growth.

Dr Sylvia Ostry, head of the economics and statistics department of the OECD, said yesterday the recovery in the OECD countries would be backed by stockbuilding and private consumption and emphasised that "stronger investment, which is essential if faster growth is to be achieved in a durable way, is not a part of the present projection."

Within the overall framework of slow growth, the report says, countries are experiencing differing trends. U.S. real gross national product is projected to fall by about 1.5 per cent in 1982 and grow by little over 2 per cent next year. The pattern of short cycles in which activity is boosted by tax cuts but restrained by monetary ceilings, is seen as continuing.

Japan is expected to move from a growth rate of under 2 per cent this year to a little under 4 per cent in 1983.

In Europe, the report says, GNP could grow by about 1.5 per cent in 1982 and 2.5 per cent next year. The estimates were made before last month's realignment within the European Monetary System and assume no increase in nominal oil prices.

Details, Page 3

Continued from Page 1

Rail

contracts are frozen.

BR is expected to pay employees reporting for work this week, but the suspension of the PSO grant combined with the lack of revenue from elsewhere will force the Board to decide whether it can borrow to pay wages.

It is under an obligation to pay members of the NUR under the guaranteed working week agreement, but the fact that it has still not reached agreement with the NUR on productivity issues may hasten a decision to suspend the guaranteed working week.

BR's underlying financial situation means it is in no position to meet its obligations by continued borrowings. Accumulated losses at the end of 1981 were put at £78m, and BR was forecasting losses of £165m for the current year before the NUR and Aslef strikes.

Continued from Page 1

Inquiry into Falklands crisis

introduce a special three-hour Commons debate on the establishment of the inquiry tomorrow at the request of the Opposition.

The committee is being set up by the Government and will report to it. Consequently, the motion before the Commons is likely merely to be for the approval of the formation of the inquiry and MPs will not be able to change its terms of reference.

The wording represents a careful compromise to secure Opposition backing and reflects a change in presentation to an emphasis on recent events rather than Mrs Thatcher's earlier stress on the historical background.

The committee of Privy Councillors has been instructed, "to review the way in which the responsibilities of Government in relation to the Falkland Islands and their dependencies were discharged in the period leading up to the Argentine invasion of the Falkland Islands on April 2, taking account of all such factors in previous years as are relevant, and to roeport."

The Prime Minister also contacted former Prime Ministers yesterday to inform them, as a matter of courtesy, of the establishment of the inquiry which will look at events of previous Administrations. Following criticisms by Mr Edward Heath and Mr James Callaghan last week, Mrs Thatcher has apparently tried to reassure them that there will be no breach of accepted constitutional convention in giving the inquiry access to official papers from earlier Administrations. She has stressed that she and her ministers will not have such access.

Mrs Thatcher's insistence that the inquiry be completed by the end of this year at the latest meets Labour's preferences, as well as her understandable desire to get any criticisms which may result out of the way well before any General Election. This appears to have been underlined by her attempt to rule out an early election.

Weather

UK TODAY

MOSTLY dry and warm; some rain in the north and west.

S. and S.E. England, Midlands and Channel Islands
Mostly dry with sunny periods. Max 24C (75F).

E., N. and N.E. England
Sunny intervals with a little rain or drizzle. Max 21C (70F).

Rest of England, Wales, Scotland, N. Ireland, Isle of Man, Orkney and Shetland
Cloudy with some rain or drizzle; clearer later. Max 19C (66F).

Outlook: Little change.

WORLDWIDE

	Y'day midday	°C	°F		Y'day midday	°C	°F
Ajaccio	S	29	84	L. Angt	F	18	61
Algiers	S	32	90	Luxmbg	C	20	68
Amsdm	C	17	63	Luxor	S	38	102
Athens	S	29	84	Madrid	S	35	95
Bahrain	S	37	99	Majorca	S	32	91
Barclna	S	33	91	Malaga	S	27	81
Beirut				Malta	S	37	98
Belfast	R	16	61	M'chstr	C	18	64
Belgrd	S	28	82	Melbne	C	17	63
Berlin	F	18	64	Mx Ct			
Biarritz	S	24	75	Miami†	F	24	75
Bmghm	C	20	68	Milan	S	30	86
Blackpl	F	17	63	Montrl†	F	18	64
Bordx	S	32	90	Moscow	C	23	73
Boulgn	R	15	59	Munich	F	23	73
Bristol	C	17	63	Nairobi	C	23	73
Brussels	C	19	66	Naples	S	29	84
Budpst				Nassau			
Cairo	S	33	91	Nwcstl	C	18	64
Cardiff	C	18	64	N York†	S	19	66
Cas'b'ca	S	28	82	Nice	S	25	77
Cape T	C	13	55	Nicosia	S	35	95
Chicgt	F	25	77	Oporto	S	21	70
Cologne	C	19	66	Oslo	F	19	66
Cpnhgn	F	17	63	Paris	F	21	70
Corfu	S	32	90	Perth	F	16	61
Denvert	S	18	64	Prague	S	20	68
Dublin	F	17	63	Rykjvk	R	11	52
Dbrvnk	S	27	81	Rhodes			
Edinbgh	F	18	64	Rio J'ot			
Faro	S	24	75	Rome	S	30	86
Florence	S	33	91	Salzbrg	F	22	72
Frankft	F	21	70	S'ctco†	F	11	52
Funchal	C	22	72	Singapr	R	28	82
Geneva	F	24	75	S'tiagot			
Gibrltr	S	26	79	Stckhm	T	18	64
Gl'sg'w	F	18	64	Strasbg	F	25	77
G'nsey	F	17	63	Sydney	S	17	63
Helsinki	F	16	61	Tangier	S	25	77
H Kong	R	26	79	Tel Aviv	S	27	81
Innsbrk	F	18	64	Tokyo	C	25	77
Invrnss	C	16	61	T'r'nto†	S	18	64
I.o.Man	C	16	61	Tunis	S	40	104
Istanbul	F	24	75	Valencia	F	28	82
Jersey	S	20	68	Venice	F	25	77
Jo'burg	S	16	61	Vienna	F	22	73
L. Plms	S	23	73	Warsaw	F	17	63
Lisbon	S	26	79	Zurich	F	23	73
Locarno	F	22	72				
London	C	19	66				

C—Cloudy. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder.
† Noon GMT temperatures.